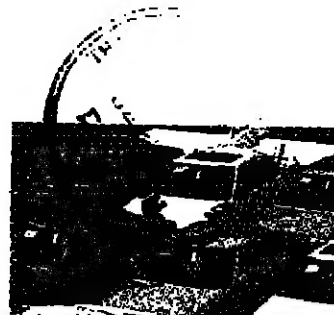




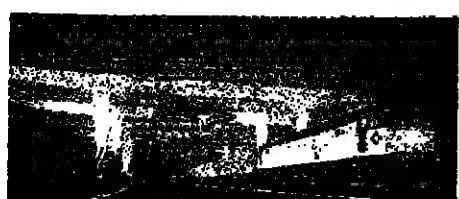
Lufthansa
Tightening seatbelts
for a bumpy ride

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Japan
Will the economic
package work?

Page 12



European transport
Why rail freight may
be doomed in Britain

Page 13

Survey
Saxony

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of THE YEAR

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FINANCIAL TIMES

Tuesday September 1 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

Action by UN urged on Serbs' 'ethnic cleansing'

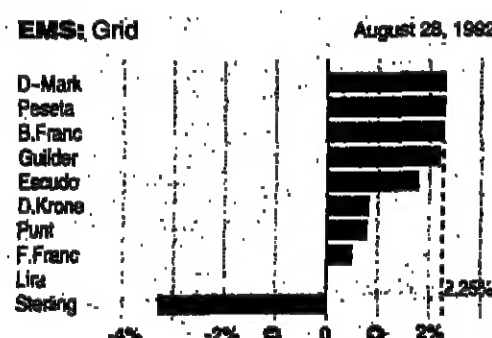
Immediate and concerted international action is needed to curb "massive and grave violations of human rights" in Bosnia-Herzegovina and surrounding regions, the UN human rights investigator for the former Yugoslavia said. Tadeusz Mazowiecki, a former Polish prime minister, says such violations arise mainly from the "ethnic cleansing" policy operated by Serbs in parts of Bosnia and Croatia. Page 14; Paolo faces confidence vote, Page 4; Editorial Comment, Page 12

Canada's constitutional shake-up Brian Mulroney, the prime minister, is expected to call a national referendum shortly, in the hope of speeding ratification of sweeping proposals for a new national-unity constitution. Page 14

Collier defiant Embattled Brazilian president Fernando Collor pleaded his innocence of massive corruption charges and said he would continue to resist all pressure to resign. Page 14

ICL headway on EC research ICL, the UK-based computer manufacturer, has overcome the sensitive issue of its Japanese ownership to win important EC research contracts, dealing mainly with development of "intelligent" computers. Page 14

European Monetary system After the most dramatic week in the European Monetary System since 1987, the D-Mark is at the top of the currency grid of the exchange rate mechanism. Normally, the D-Mark, the hardest in Europe, should be around the middle of the grid so the monetary policies and exchange rates of other countries can be adjusted around it. At the top, it is straining against all currencies, pushing three of them - the lira, sterling and the French franc - towards their ERM floors. Currencies, Page 31



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

Scandinavia suspends top executives Scandinavia's biggest construction and property company accused a senior executive of foreign exchange speculation, estimated to have lost the company more than SKr500m (\$97m). Page 15

UK pensions fund row Two UK companies have come under fire for their handling of pension fund surpluses. The question of who owns such surpluses has become increasingly contentious since the Robert Maxwell scandal. Page 15

German riots German politicians held an emergency meeting to discuss rioting violence in the east that has lasted for over a week and included the bombing of a Holocaust memorial.

Russian troops to quit Russia is prepared to withdraw all its 130,000 troops from the three Baltic states next year, a senior foreign ministry official said.

Iraq UN inspections UN weapons inspectors returned to Iraq stressing that the imposition last week by the US, UK and France of an air exclusion over southern Iraq would not affect their work. Meanwhile, Iraq's ruling Baath party appealed for international support against the no-fly zone. Page 4

Truce fails Troops and rebels clashed for the second successive day in Georgia, preventing a ceasefire from coming into force.

Iraqi Kurds pledge Kurdish leaders promised Turkey they would not let separatist Turkish Kurds use the area they control as a springboard for cross-border raids. Rebel Turkish Kurds killed seven soldiers in the south-east, a day after a battle near the Iranian border in which 10 soldiers and 43 rebels were killed.

Home-help's reprieve A Swedish male au-pair (home-help) threatened with deportation from the UK because he is not a woman was given a last-minute reprieve.

STOCK MARKET INDICES		STERLING	
Nikkei	18,061.12 (+90.33)	New York futures	\$ 1.8895
New York futures		Dow Jones Ind Ave	3,267.87 (-0.54)
S&P Composite	414.83 (-0.21)	S&P Composite	414.83 (-0.21)
US LUNCHTIME RATES		New York futures	
Federal funds	3 1/4%	Dollars	1.4825
3-mo Treas Bill	7 1/2%	FFr	4.7815
Long bond	7 1/2%	Sfr	124.785
Yield	7.425%	Y	123.805
Gold		Tokyo close	
New York Curren	\$342.7 (339.9)	London markets closed	

Austria	S 430	Hungary	F 1152	Malta	£ 10.50	S Arabia	\$ 89.00
Belgium	BF 120	India	Rs 180	Morocco	MDH 15	Singapore	S\$ 1.10
Denmark	Dkr 100	Indonesia	Rp 3000	Netherlands	fl 3.50	Spain	Ptas 200
France	FFr 100	Japan	¥ 100	Norway	Nkr 15.00	Switzerland	Sfr 1.00
Germany	DM 100	Korea	₩ 100	Portugal	Esc 200	Taiwan	Nt\$ 100
Greece	Dr 100	Malaysia	RM 100	Saudi Arabia	Riyal 100	Thailand	Bht 100
Ireland	Ir£ 100	Philippines	P 100	Turkey	Lira 100	UK	£ 100
Italy	Lira 100	Singapore	S\$ 100	USA	Dollar 100		
Japan	¥ 100	South Africa	Rand 100				
Norway	Nkr 100	Sweden	Skr 100				
Portugal	Esc 100	Switzerland	Sfr 100				
Spain	Ptas 100	Taiwan	Nt\$ 100				
Sweden	Skr 100	Thailand	Bht 100				
Switzerland	Sfr 100	UK	£ 100				
Taiwan	Nt\$ 100	USA	Dollar 100				
Thailand	Bht 100						
UK	£ 100						
USA	Dollar 100						

Japan takes step towards bailout of banking system

By Steven Butler in Tokyo

THE Japanese government took an important step towards a possible bailout of the nation's troubled banking industry yesterday in a further measure to bolster the economy. Mr Kiichi Miyazawa, the prime minister, said the government was ready to provide public funds to help banks liquidate non-performing loans. This follows the ¥10,700bn (\$86bn) emergency spending package announced last Friday aimed at rescuing the country's financial system.

Although schemes to support the banking system have been widely discussed during the past two weeks, Mr Miyazawa is the first senior government official to endorse the idea of using public money to support such a plan.

Government backing for a bank bailout promises to be highly controversial, with newspapers and magazines already questioning why taxpayers should foot the bill for the imprudence and greed of the nation's banks.

"If the problem will cause instability in the nation's financial system, neither the government nor the Bank of Japan

can afford to remain idle," Mr Miyazawa said.

In addition to fears of instability, Mr Miyazawa expressed concern that the accumulation of bad debt had reduced the banks' lending capacity and contributed to economic slowdown.

In a scheme likened to the Resolution Trust Corporation in the US, the banking industry has been drawing up plans to form a corporation to purchase bad loans or land held as collateral for bad loans from the banks. Analysts estimate that loans on which no interest is being paid currently totals between ¥25,000bn

and ¥30,000bn. The government would have to overcome substantial practical difficulties to make the scheme work. It remains unclear how any corporation to purchase land would be owned or managed, how land would be priced, or which banks would be eligible to sell land to the scheme. Conflicts of interest among banks also promises to be extremely complex.

The scheme would make little sense unless the government supported it with substantial tax incentives or subsidised loans.

Fear of a possible collapse in the bank-

ing industry was one factor behind a plunge in the stock market two weeks ago to a six-year low. The market was turned around, however, by Friday's measures and by further evidence that the government would step in to support the financial system.

Mr Tsutomu Hata, finance minister, said on Sunday that his ministry was preparing plans for a more complete disclosure of non-performing bank loans. One factor undermining confidence in the banking system has been the lack of credible information about the extent of the bad-loan problem.

Commission president Delors threatens to resign if Maastricht treaty process fails



Environment chief Karel Van Miert: Europe may be cut adrift

EC officials warn French of dangers in voting No

By Lionel Barber in Brussels and William Dawkins in Paris

SENIOR European Community officials - unnerved by growing opposition in France to the Maastricht treaty - are warning that Europe's stability is at stake in the referendum on September 30. Mr Karel Van Miert, the Belgian commissioner in charge of the environment, said yesterday that rejection of the treaty would cut Europe adrift from its only real anchor, the Community.

He joined Sir Leon Brittan, the UK's senior commissioner who runs competition policy, with a warning that a French "No" would also undermine the single market, due to come into effect on January 1.

Spraying to the defence of a French government which has so far run a subdued pro-treaty campaign, Mr Jacques Delors, Commission president, said on Sunday while campaigning in France that he would resign if Maastricht fell. Mr Delors, like Presi-

dent François Mitterrand of France, has staked his reputation on the successful outcome of Maastricht.

Adopting a more vigorous tone yesterday, Mr Michel Sapin, French finance minister, warned that a vote against the treaty would bring a halt to fresh investment across Europe, higher interest rates and an end to European hopes of creating a currency to rival the dollar.

"Instead of selling our Airbus in dollars, we will sell them in Ecus. Today we exercise a limited sovereignty. Tomorrow, with others, we will have full sovereignty," he told a Socialist party summer school.

Recent polls showing a narrow majority against Maastricht have forced French government ministers and Brussels officials to face up to the possibility of French rejection, and its impact on international financial markets.

When Danish voters turned down Maastricht in June, EC ministers hoped to salvage the

treaty through a resounding French endorsement. A "no" vote in France, one of the driving forces towards European integration, was considered unthinkable.

An opinion poll yesterday showed a margin of 53 per cent in favour to 47 per cent against. Six opinion polls last week predicted a close vote on September 30. Three showed the "no" vote winning by a margin of up to 53-47 and three others showed the "yes" ahead by up to 52-48.

Mr Sapin's remarks reflect the government's alarm at growing opposition to the European union in polls. The anti-Maastricht campaign has been aggressive, and has often played on domestic rather than European issues, attracting protest votes against the political establishment, especially the ruling Socialists.

Mr Pierre Bérégovoy, the prime minister, told the conference that the recent polls were "full of danger".

He added: "Our efforts of the past 40 years in favour of a

reunited and pacified Europe risk being annihilated by the convergence of conservatism and fear."

Mr Jean-Louis Bianco, transport minister, warned on radio that the European monetary system would "explode" if the French electorate turned down the Maastricht treaty.

The surge in French opposition to the treaty has prompted Commission members - as well as European leaders ranging from Mr Helmut Kohl, the German chancellor, to Mr Felipe Gonzalez, the Spanish prime minister - to intervene in the campaign. Mr John Major has so far held back.

Mr Van Miert is only the latest senior EC official to argue that a "no" vote is not - as its proponents suggest - a vote for the status quo. "You can't say yes to Europe and no to Maastricht," he said, adding: "In life, as in history, there is sometimes only one chance."

Details, Page 2

No respite for pound and dollar as ERM strains show

By Daniel Green, Peter Marsh and Alison Smith in London and Heli Simonian in Milan

STERLING and the dollar remained under pressure yesterday in thin holiday trading, as strains in the European exchange rate mechanism showed few signs of easing.

The Italian lira recovered slightly on foreign exchange markets, buoyed by a meeting between the French and Italian prime ministers which could presage the start of a Franco-Ital-

ian effort to persuade Germany to cut its interest rates.

In Britain, Mr Gordon Brown, opposition finance spokesman, called on the UK government to urge the Bundesbank to signal an interest rate cut when it meets on Thursday. This might ease off pressure on some of the weak European currencies, and with it the possibility of increases in borrowing rates in nations such as Britain, France and Italy.

Both the dollar and the pound remained little changed against the D-Mark, while the Belgian

central bank increased its seven-day advances interest rate from 9.5 per cent to 9.7 per cent to bolster the value of the Belgian franc relative to the German currency.

Upward pressure on the D-Mark yesterday was limited by Friday's European Community statement ruling out an ERM realignment.

Some of the weaker ERM currencies, including the pound, Italian lira and French franc, may encounter fresh selling pressure today, when European foreign-ex-

change trading returns to normal after yesterday's bank holiday in Britain. This depressed European trading volumes to about one third of their customary levels.

Just after the close of European trading last night, the dollar was quoted against the D-Mark at DM1.4010, nearly 1 pfennig down

on Friday night's close and brushing its all-time low. The pound held at DM2.7885, little changed on Friday night, and roughly 1 pfennig above its D2.778 ERM floor. Against the dollar the pound was quoted at \$1.9907, barely changed.

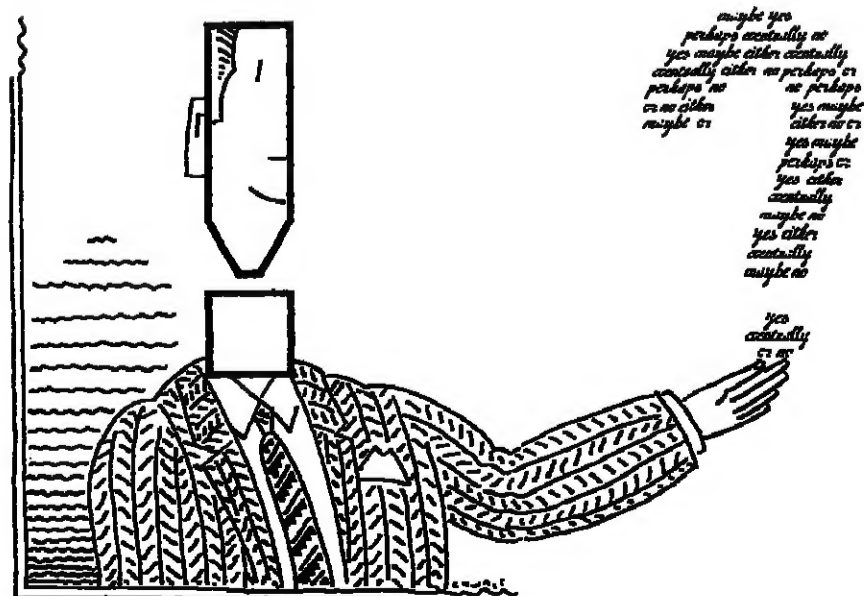
The lira was quoted last night at L783.75 to the D-Mark, up from the close of L765.7 on Friday, but at one point it dipped below its ERM floor of L765.4 to the D-Mark.

Bundesbank warns Bonn on federal debt, Page 2

Currencies, Page 31

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NEWS: INTERNATIONAL

Industry chief resigns after rift with Kohl

By Christopher Parkes
in Frankfurt

MR. HEINRICH Weiss, president of the Federation of German Industry, the BDI, resigned in a storm of controversy yesterday after less than two years in office.

Mr Weiss, 50, had been under fire for some months because of his abrasive manner and go-it-alone leadership style. However, opponents said his fatal offence was to damage industry's relationship with Chancellor Helmut Kohl and other leading politicians.

He made little attempt to hide his feelings about Mr Kohl's lack of interest in economics and business affairs - a characteristic which also irritated Mr Karl Otto Pöhl, former president of the Bundesbank.

The federation's leader is the main spokesman for 80,000 companies from all sectors, grouped in 34 different industry associations.

His departure, at a time of rising economic gloom, marks an attempt by the leadership of German industry to rebuild intra-industry consensus and restore relations with Bonn.

He will be replaced temporarily by Mr Tyll Necker, currently one of eight BDI vice-presidents, who preceded Mr Weiss in the top job.

Grass-roots members have complained that his interests have been neglected while those of industrial giants such as Daimler-Benz have taken precedence.

Pay policy has become a particularly sore point. Smaller companies complain that large groups have signed generous pay deals and then passed on their increased wage costs to their suppliers.

Mr Weiss, who is also chairman of SMS Schloemann-Siemag, a Düsseldorf engineering group, said yesterday that he was "disappointed".

He had tried to build the BDI into an effective service organisation to help German industry

with new challenges in the European Community, the former German Democratic Republic and world markets.

But he had found little support, and members had been unwilling to pay higher contributions, he complained.

Mr Weiss's resignation followed his vain attempt just over a week ago to persuade his vice-presidential colleagues to sack Mr Rudolf-Georg von Wartenberg, the BDI's managing director.

Opponents said Mr Weiss's constant attacks on government economic policy, and particularly on the chancellor, had "blocked the approaches to Bonn". The BDI was no longer welcome in Mr Kohl's office, they added, while the federation had a long tradition of close and comfortable relations with previous governments, including the Social Democrats.



Weiss: go-it-alone leadership style

Key dates in the September run-up to the French referendum

3
Mitterrand defends pro-Maastricht policy in national television debate.
Bundesbank council meets.

4-6
European Community economic and finance ministers meet, Bath, England.

7
France launches official television and radio broadcasting campaigns on referendum.

12-13
European Community foreign ministers meet, Hertfordshire, England.

17
Bundesbank council meets.

20
France goes to the polls.

Bundesbank warns Bonn on federal debt

By Christopher Parkes
in Frankfurt

IF THE German government and wage negotiators fail to control federal debt and pay increases, the Bundesbank's clamp on monetary policy will achieve little in the long run, Mr Oskar Lafontaine, a member of the central bank's policy-making council said at the weekend.

Rising government debt would sooner or later lead to higher taxation. This would push up prices and inflation, he told a symposium in Jackson Hole, Wyoming, at the weekend.

Speaking at the end of a week of turmoil in world money markets and widespread criticism of the Frankfurt policy-makers - notably from the US - Mr Lafontaine presented a stout defence of the bank's policy and independence.

"A lastingly high rate of economic growth cannot be achieved through large budget deficits and a passive monetary policy which tries to keep central bank interest rates low," he said.

Democratic fiscal policies, driven by political processes, had a tendency to generate excessive government debt. There was a need for the central bank to provide a counterweight to try to contribute to a low and sustainable level of government debt, as part of its stability mandate.

Although Mr Lafontaine did not name either the Bundesbank or the German government in

his speech, his aim was unmistakably to stiffen the resolve of the German Finance Ministry. He made only passing references to the dangers of wage inflation, hitherto the prime concern of the Bundesbank.

The ministry, run by Mr Theo Waigel, has promised strict budgetary controls and reduced subsidies.

The target is an average 2.5 per cent nominal growth in federal spending until the end of 1995. He, in turn, has also

'A lastingly high rate of economic growth cannot be achieved through large budget deficits and a passive monetary policy which tries to keep central bank interest rates low'

asked the largely independent state governments to limit their expenditure growth to 3 per cent.

Firm projects put forward so far by Bonn, including a scheme to save DM11bn (€2.9bn) on the health service this year and a DM5bn cut in the federal labour office's subsidy, have run into powerful opposition from the medical profession and drugs makers as well as civil servants in the state offices.

Meanwhile, a handful of state governments have said

they need to reduce administrative payrolls, while others are examining the possibility of raising further revenue through increased taxes on drinks, entertainment, tourism and even prostitution.

A bank policy which was aimed at promoting capital formation and growth must be highly credible, reliable and predictable, Mr Lafontaine said.

"Attempted deception and stop-go policies aimed at short-term demand effects are the best way of undermining investors' and savers' confidence in economic policy as a whole," he said. "The capital which the central bank possesses in the form of a high credibility is thus... uselessly put at risk."

If the Bundesbank eased its controls it would amount to an announcement that, in future, monetary policy would be geared primarily to financing the government budget and, ultimately, inflationary. That would be "a signal for a massive run on public budgets, which politicians... would find difficult not to become caught up in".

A strictly anti-inflationary policy was the best way to maintain stability and restrain "distribution struggles and excessive budget policies. In the absence of a consensus among all those responsible, however, the central bank, too, will ultimately be able to achieve little," he concluded.

Economic indicators, Page 4

Danes rule out short cuts to treaty accord



Uffe Ellemann-Jensen: considered resigning

By David Marsh
in Copenhagen

DENMARK is calling on the rest of the European Community to go ahead with ratification of the Maastricht treaty this autumn without waiting for any breakthrough in the confusion caused by its No vote three months ago.

Mr Uffe Ellemann-Jensen, the Danish foreign minister, said the EC could not expect any "smart moves" or "short cuts" to resolve the imbroglio sparked by the Danish referendum on June 2.

Britain says it will not re-submit the Maastricht legislation to parliament until Denmark has come up with proposals to make the European union plan more palatable to the Danish electorate. However, Mr Ellemann-Jensen told the Financial Times he expected Britain to continue with the EC plan, agreed in June, to proceed with ratification.

Even if France says Yes to the treaty in its referendum on September 20, the Danish government believes the question of Danish participation may take until next summer to be resolved.

This indicates that the fate of the treaty will be put on ice at least until that date, as it cannot come into force until all 12 EC members have ratified it.

"Those who expect a second Danish referendum before the end of the year can forget it," Mr Ellemann-Jensen said. Calling the Danish rejection "a crisis for our political system", he emphasised the case the government would take to try to find a solution acceptable both to the electorate and to Denmark's EC partners.

He hoped that a "rough framework" might be worked out at the EC summit in Edinburgh in early December. Any formula, however, would have to be put to a second vote by the Danish people next year.

He declined to give firm ideas on how the treaty text could be refashioned to overcome Danish objections. The white paper on Maastricht promised by the Danes for the first half of October is unlikely to contain definite proposals for a way out of the impasse. It will mainly be a list of legal problems created for Denmark and its partners by the possibility of a separate Danish path on Europe.

Mr Ellemann-Jensen, who campaigned strongly for the treaty three months ago, said he felt "very humble" about his rejection and considered, "for 10 seconds" resigning.

Among the options being considered in Copenhagen are adding protocols to the treaty to define more closely how EC decision-making can be brought closer to the people - the so-called subsidiarity principle. Denmark also favours building into the treaty provisions limiting Denmark's participation in common European defence. This is a particularly stumbling block with Danish voters.

Mr Ellemann-Jensen said the latest opinion polls had shown that, although opposition to Maastricht was even greater than in June, Danish support for the EC and Nato was as strong as ever.

French pollsters shift into top gear

By Alice Rawsthorn
in Paris

RARELY a day has gone by in France over the past fortnight without publication of an opinion poll on next month's crucial referendum on the Maastricht treaty.

Opinion polls, or sondages, are a familiar feature of French life. The French are probably polled more regularly and thoroughly - on everything from their sexual preferences to their holidaying habits - than any other nation. This summer, as the threat of a negative referendum result has grown, the pollsters have been busier than ever.

Newspapers and television news programmes are filled with political pundits poring over the polls; the Paris stock market has fluctuated so wildly on rumours and counter-rumours of the next set of results that the market authorities have issued a stern warning about the dangers of sondage speculation.

Polls are not only more prolific in France than elsewhere, they are also taken more seriously. "This is the land of Descartes," said Mr Pierre Weill of Sofres, one of the largest polling groups, referring to the 17th century mathematician. "Statistics are at the heart of France's intellectual tradition."

Political polling has a reasonably high level of accuracy. BVA, one of the sector's leaders, claims a margin of error of less than 3 per cent. While there are occasional mistakes, the French have developed sophisticated sampling techniques using the "quota" method whereby the views of a representative cross-section of the population are canvassed.

The success rate raises the question of whether polls actually influence public opinion. Mr Weill suspects that, while many committed voters may not allow them to affect their decisions, the polls probably persuade uncommitted voters.

This could prove crucial over the next few days, when new polls will show how the French have responded to last week's news that, for the first time, the anti-Maastricht faction could command a majority in the referendum.

The ins and outs of realignment

Why all the talk about a realignment of the European monetary system's exchange rate mechanism?

In the past few weeks investors have switched funds of dollars and into D-Marks, weakening the values against the D-Mark of many of the other nine ERM currencies. One way to ease the strain would be to revalue upwards the D-Mark in the grid, devaluing the weaker currencies.

What's behind the D-Mark's strength?

The German Bundesbank has pushed up its short-term interest rates to their highest levels since the 1980s, to damp inflation-induced inflation. The US's interest rates are extremely low, because it wants to help economic recovery. The big difference between German and US borrowing rates has given investors every reason to buy D-Marks.

What about the September 20 referendum in France on European economic and monetary union?

If the French vote No, as seems possible, the current timetable for the monetary union will be scrapped. If that happens there will be less external pressure on European Community countries to keep government borrowing and inflation low.

In that case, expect large sellings of the weaker ERM currencies, including the Spanish peseta, the Portuguese escudo, the Italian lira and sterling.

Is a realignment really on the cards?

That depends on your vantage point. The EC finance ministers last Friday ruled out a realignment. Germany is not seeking a D-Mark revaluation and the other 11 ministers do not want to devalue against the D-Mark, because they feel this would weaken their countries' long-term effort against inflation.

So is this the end of the story? Possibly not. The last time, back in 1987, that the strong D-Mark exerted such severe strains in the ERM on the other currencies, the pressure for a realignment became irresistible.

What happened?

On January 12 1987 the EC was forced to recognise that large devaluations against the D-Mark, which would not work. Politicians arranged a realignment in which the D-Mark, the Belgian franc and the guilder were all revalued upwards against the other currencies.

Britain - economic activity is weak, yet interest rates remain high because of the tight credit policies of the Bundesbank. According to some economists a devaluation of these countries' currencies might allow them to cut interest rates to spur growth.

So why doesn't Europe just go ahead and realign? Governments are worried that

any move to devalue would be punished by the markets. Investors might think that, having devalued once, these countries might do it again. As a result, interest rates might have to go up, rather than down, because of the extra "risk premium" that investors demand for holding specific currencies.

What's likely to happen?

EC governments will do all in their power to keep talk of realignment out of the markets until September 20, when the outcome of the French referendum will be known. If further pressures build up in the ERM in the meantime, expect large central bank intervention to sell D-Marks for other currencies and hold the line.

What's the Bundesbank's position?

The German central bank would not be averse to a realignment, as a stronger D-Mark would strengthen its anti-inflation drive. It might be in a position to press Chancellor Helmut Kohl to accept the case for a revalued D-Mark on the grounds that the Bundesbank might then be able to cut interest rates more quickly.

What difference is there between now and 1987?

Then, France wanted Germany to revalue its currency against the French franc, because the franc was suffering so much selling pressure. Now, France firmly is against any change in the franc's parity against the D-Mark because it has made good progress at pushing down inflation to German levels.

What about the other countries?

If the markets did force a realignment, there is a strong chance of a "two-speed" ERM developing. Countries such as Belgium, the Netherlands and Denmark - whose currencies are regarded in the markets as strong and which have generally kept their values against the D-Mark - might be prepared to accept a realignment, so long as their currencies were moved up with the German currency.

Where would Britain stand?

Along with Italy, Spain and Portugal, Britain might have to devalue against all the other countries. However, one way for the UK to avoid losing face might be for it to move at the same time to a narrow 2.25 per cent band instead of its current 6 per cent band, thus helping to improve confidence in sterling on the markets.

And France?

Expect some creative economics. France might be able to persuade Germany that its currency should be regarded as "strong" - and so should have the same kind of upward revaluation as the D-Mark in any realignment - even though the French franc itself has recently been under pressure.

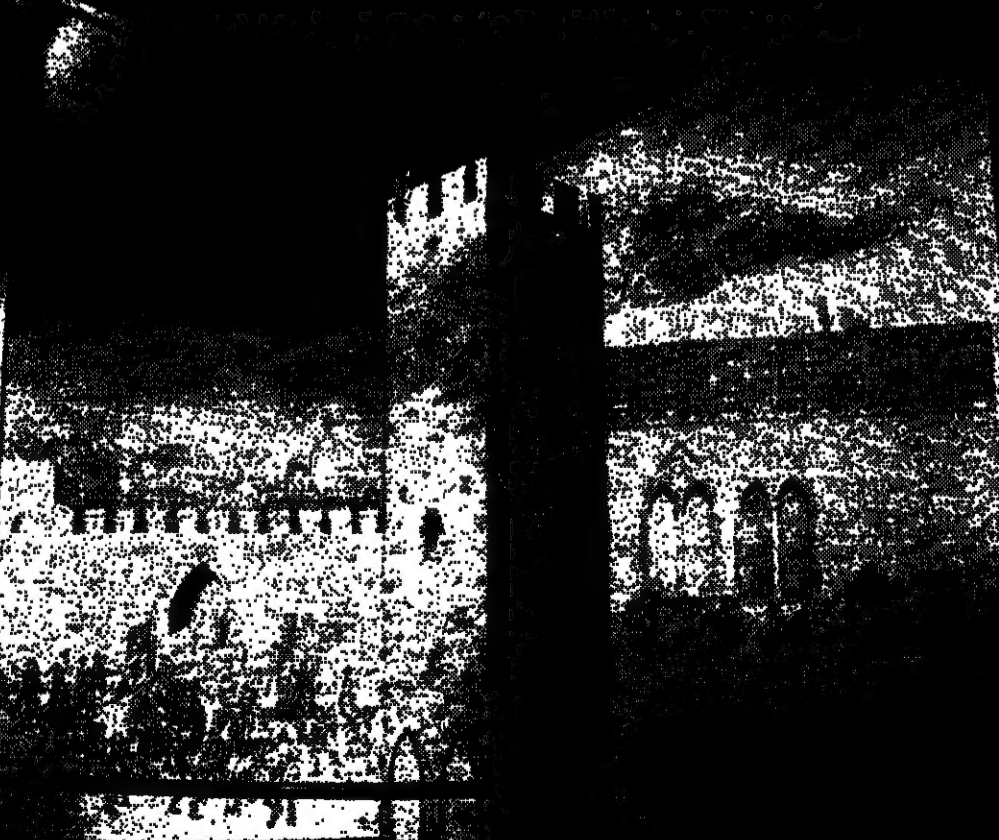
What could help the EC ministers out of their plight?

A big Yes vote by the French would reduce the ERM tensions. If that fails to happen, watch out for more currency fireworks.

Peter Marsh

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Peres says Palestinians must limit demands

By Hugh Carnegie
in Jerusalem

MR Shimon Peres, Israel's foreign minister, yesterday criticised the Palestinian approach to Middle East peace talks, saying there would be no progress unless they accepted limits to the scope of self-government in the occupied West Bank and Gaza Strip.

Speaking shortly before the two sides opened their second week of negotiations in Washington, Mr Peres said the Palestinians were seeking sovereign powers while the agreed structure of the talks envisaged only limited Palestinian self-rule during an interim stage. The issue of sovereignty is not due to be discussed for at least three years.

"They have to come to terms with reality," Mr Peres said. "We are not talking about independence. We are talking about self-government in the territories for five years. This should be a sort of trial period which will enable all of us... time to reach a permanent solution. The attempt to

make out of an interim self-government proposal a permanent solution is in vain," he told the Financial Times.

He added that the self-government proposals tabled by Israel last week - and immediately attacked as inadequate by the Palestine Liberation Organisation - represented "more of a risk" for Israel than for the Palestinians.

The foreign minister, one of the most "dovish" members of Prime Minister Yitzhak Rabin's government, was echoing frustration among ministers that their peace overtures since taking office in July, such as curbing Jewish settlements in the occupied territories, have elicited little response from the Arab side.

Yesterday, the authorities began releasing 600 of the thousands of Palestinian prisoners held by Israel as part of a number of goodwill gestures announced to coincide with the Washington talks. The army also opened up some of the thousands of streets in West Bank and Gaza towns previously sealed in retaliation

against the Palestinian *intifada*, or uprising.

Palestinians complained that the Israeli proposals contained nothing about a withdrawal of Israeli troops and offered no real control over their own land during the interim stage. They want to elect a governing authority with full legislative powers. Israel has conceded elections for a council covering the West Bank and Gaza, but restrict its powers to that of a local authority.

Mr Peres said Palestinians would be allowed to run "something like a domain" of government, with the exception of security, foreign affairs and Jewish settlements. "It is obviously a real departure from the present situation. But they don't measure how far it is from the present situation, but how close it is to their wish to achieve something else."

● The US and Germany together attracted more Jewish immigrants from the former Soviet Union than Israel in the first half of the year, Israeli officials admitted yesterday.



Israeli soldiers watch as a bulldozer removes a barricade the Israelis had put up to seal Bethlehem's market-place some years ago

Liberals lose seat in Hong Kong

By Simon Davies
in Hong Kong

HONG KONG'S liberals suffered a setback on Sunday when Mr Martin Lee's United Democratic (UDHK) party lost its New Territories West Legislative Council seat to a pro-China independent candidate in a by-election.

This was the first liberal seat to fall since a sweeping victory in last year's direct elections.

A low turn-out - despite a tight contest - raised some concern over Hong Kong's appetite for its new slice of democracy. Only 32 per cent of the eligible voters turned out, compared with the disappointing 38 per cent average in last year's elections.

Yesterday's winner Mr Tang Siu-tong, picked up 51 per cent of the vote. Mr Tang had shunned the support from Hong Kong's growing number of political parties, relying on grass roots backing from rural areas. By contrast, his United Democratic opponent Mr Albert Ho, was viewed as an outsider in the district.

The two men were fighting for the seat vacated by United Democrat Mr Stephen Ng, who died of leukaemia in June.

Mr Lee put a brave face on the loss. "We will take heed. We go away this morning with greater determination to be united both as a party and also with the other democratic groups."

Mr Chris Patten, Hong Kong's new governor, paid a visit to the New Territories on Sunday to watch Hong Kong politics in action and he gave further proof of his desire to speed up the democratic process in Hong Kong.

"I want to see our governing institutions and the participation of the public in the management of our affairs in Hong Kong more deeply rooted in the community," he said, after visiting the polling station.

At present, only 15 of the 60 seats on the Legislative Council are directly elected.

Arms inspectors return as allied jets patrol over Iraq

By Roger Matthews
in Washington

UN WEAPONS inspectors returned to Iraq yesterday, stressing that the imposition last week by the US, Britain and France of an air exclusion over the south of the country would not affect their work.

Aircraft from the US and Britain continued to patrol the area south of the 32nd parallel yesterday with no indication from the Baghdad regime that it was prepared to challenge the new allied restrictions. French Mirage 2000 jets are due to join the patrols today.

The so-called "no-fly" zone was imposed officially to protect the Shia population from intensified attacks by the

regime of President Saddam Hussein, but some US officials concede that it is part of an overall strategy to topple the Iraqi leader.

These officials had expected the previous UN weapons team to challenge the Iraqi regime's refusal to permit inspections of government ministries, in defiance of Security Council resolutions. Reports from Washington had suggested that President Bush would have been prepared to order air strikes to ensure Iraqi compliance.

However, no request was made to search a government ministry and the weapons inspection team left Baghdad without incident.

Mr Maurizio Zifferero, the Italian, who heads the new team, said on arrival in

Baghdad yesterday that his policy was "not to be the cause of provocation".

He declined to say where the team would be carrying out its searches for more evidence of Iraqi weapons of mass destruction, but added: "If this visit is quiet and fruitful, it will be a success."

International criticism of the air exclusion continued yesterday with members of the Non-Aligned Movement, meeting in Jakarta, joining the many Arab governments which have voiced concern that Iraq could be partitioned.

Mr Abdullah Badawi, the foreign minister of Malaysia, told the meeting that the same was a "flagrant contravention of all accepted international norms and practices."

Hard issues at non-aligned talks

LEADERS of the Non-Aligned Movement (NAM) today began a six-day summit in Jakarta which, following the end of the cold war, finds the founding principle of the organisation to be in question.

Moreover, the delegates - including about 60 heads of state - will also find themselves caught between the movement's traditional determination to achieve consensus and the increasing difficulty of disregarding sensitive issues of concern to its 106 members.

As pressing and dividing as any issue is the former Yugoslavia, which chaired the movement until Indonesia assumed the post last Friday. While a delegation from Serbia and Montenegro will attend claiming to represent Yugoslavia, there will also be seats for separate delegations from Bosnia-Herzegovina, Croatia and Slovenia.

Some NAM members, led by Malaysia, Saudi Arabia and Iran, have condemned Belgrade for the plight of the Moslems in Bosnia-Herzegovina while Mr Haris Silajdzic, the Bosnian foreign minister, said that since the NAM was founded to "defend and help weak countries" then: "if it doesn't punish Yugoslavia... it has deviated from its original goal".

William Keeling reports
from Jakarta

However, Mr Farouk Khadumi, Palestine's foreign minister, argued that "The debate about the Yugoslav issue is a waste of time. Let the United Nations decide on the issues."

Foreign ministers discussed the issue acrimoniously over the weekend, but agreed only to postpone a decision on Yugoslavia's status until a further meeting in New York on September 15.

For critics of the NAM, originally founded by countries determined to promote foreign policies independent of the superpowers, such a decision was typical of the movement's weaknesses. "The movement strives to reach consensus on foreign policy, but to do so it often fails to address major world issues", said one western diplomat.

Where consensus is reached, moreover, the movement sometimes invites the charge of hypocrisy. For example, a proposed declaration on the protection of

basic human rights is likely to be supported by the Yugoslav delegation and other unlikely proponents such as President Mobutu Sese Seko of Zaire.

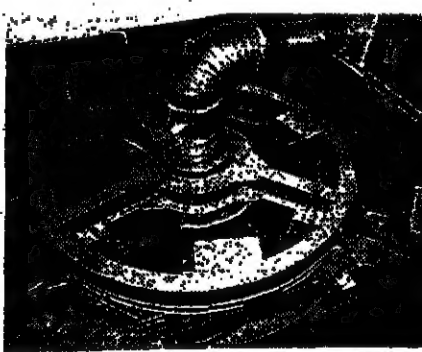
One issue likely to attract consensus is the proposal to restructure the UN - of which NAM countries account for about two-thirds of the membership - and an expansion of the Security Council to limit the influence of the US.

Indonesia, the world's fourth most populous country, is also pushing for a new approach to the economic relationship between developing and industrialised nations. Many delegates to the summit have arrived warning that the marginalisation of developing countries has bred a feeling of humiliation which lies behind much of the world's armed conflict and terrorism.

President Suharto said recently the relationship between developing and industrialising nations "should not be haunted by an atmosphere of confrontation". He has stressed Indonesia's record - two decades of 6 per cent annual GDP growth - has been achieved with an open economic policy, even while arguing for the structure of international trade to be reformed.

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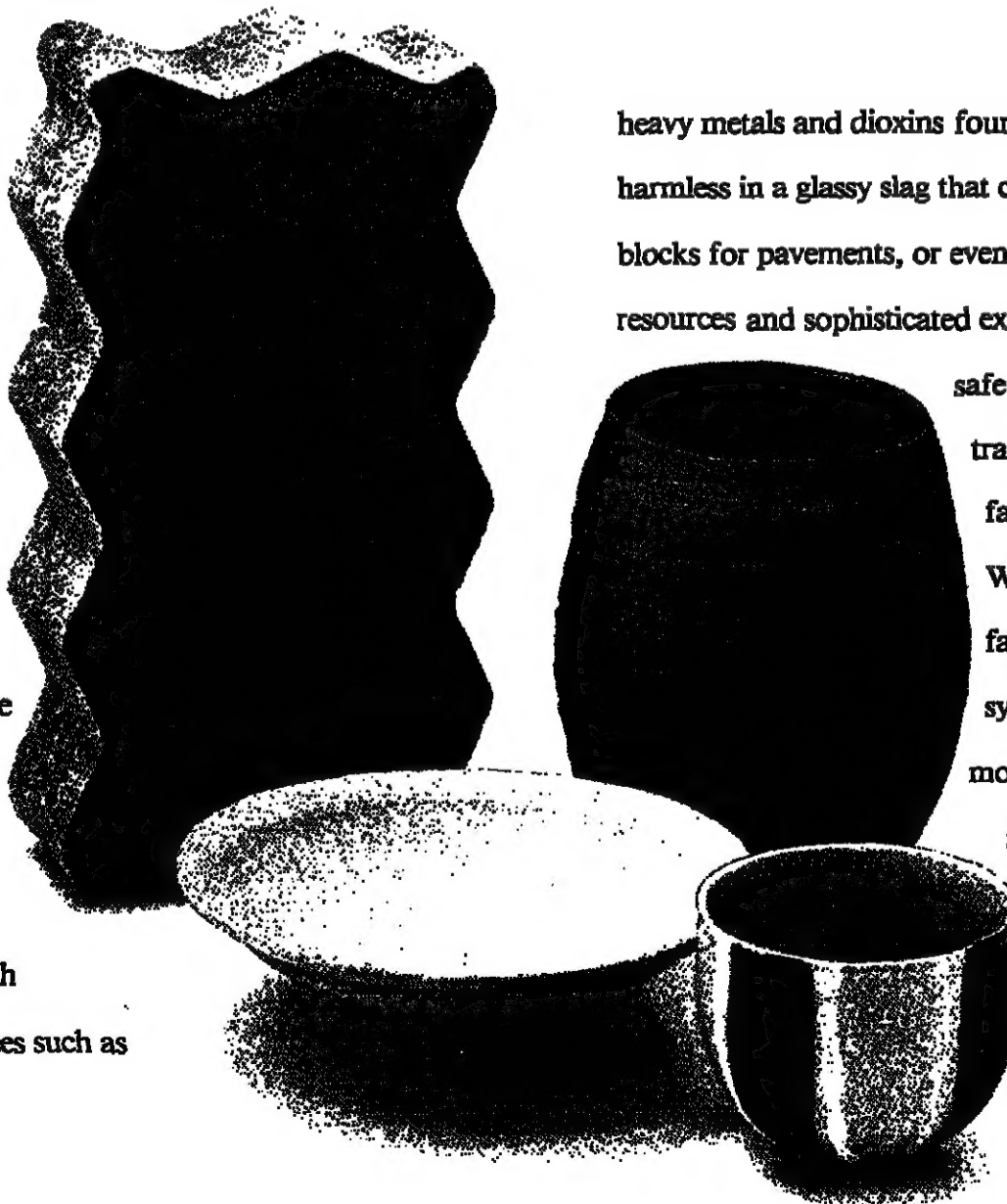
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NEWS: INTERNATIONAL

Serbs' move could jeopardise Geneva peace conference

Panic faces confidence vote

By Laura Silber in Belgrade

THE political future of Yugoslavia's prime minister Milan Panic yesterday hung in the balance after a no-confidence vote was tabled in the federal parliament.

A vote of no confidence would jeopardise the continuation of United Nations/European Community-sponsored peace talks on the former Yugoslavia which start this week in Geneva. Such a vote would also strengthen the hand of Serbian nationalist extremists in the rump Yugoslavia.

A western diplomat yesterday said: "It is a question of whether it is just a warning shot across the bow or signals the end of Panic."

The motion followed a bitter public row between the Belgrade-born California businessman and Serbian President Slobodan Milosevic at the London conference last week.

The vote of no confidence was supported by 68 parliamentary deputies from the ruling Socialist party and its satellite Serbian Radical party, whose ultranationalist leader, Mr Vojislav Seselj, commands a paramilitary wing.

Known as Mr Milosevic's favourite politician, Mr Seselj yesterday said all 30 members of his party backed the motion.

According to parliamentary rules, the no-confidence motion will be debated in three days. Parliament is dominated by supporters of Mr Milosevic and since the opposition in May boycotted elections.

The deputies accused Mr Panic of going beyond his mandate at the London conference. The Yugoslav prime minister had called for talks with ethnic Albanian leaders on the southern Serbian province of Kosovo.

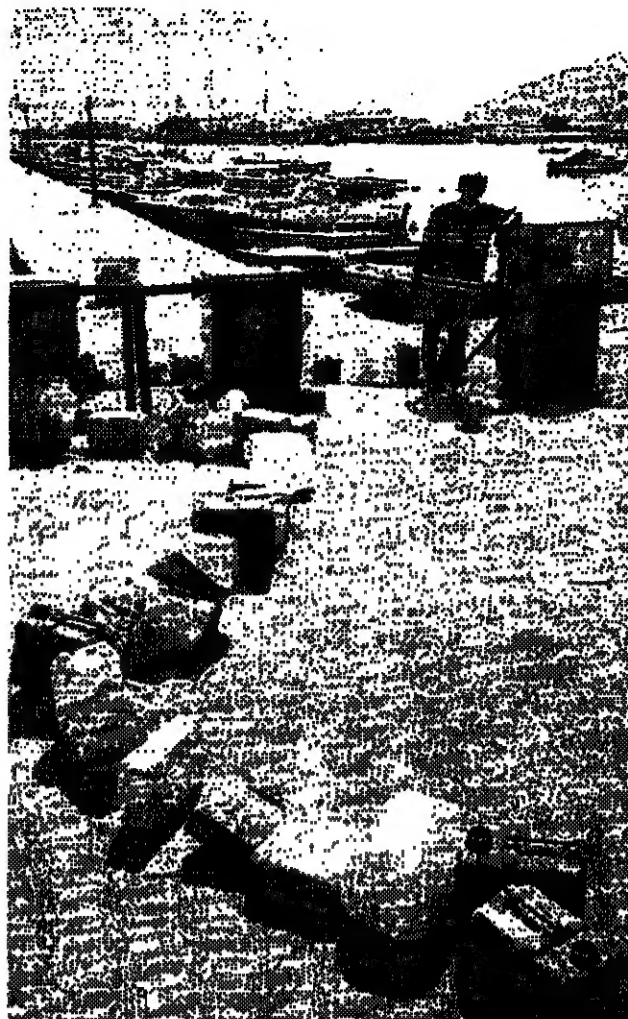
He also aroused the ire of Serbs by calling for the recognition of Croatia. He has pledged to end ethnic cleansing in Serbia, where non-Serbs make up a third of the 9.8m population.

A delegation of 200 Serbs from Kosovo yesterday demanded to see Mr Panic because of "his ambiguous position on the status of Kosovo", in what was clearly a co-ordinated attack. Mr Panic has vowed to lift United Nations sanctions and revive the collapsing economy in what is left of Yugoslavia, the truncated federation of Serbia and Montenegro. Deputies from Montenegro yesterday opposed the vote of no-confidence.

In Lisbon, Portuguese foreign secretary Joao de Deus Pinheiro warned that the Geneva conference could be the last chance for a settlement before the bloodshed forces the international community to intervene militarily.

Meanwhile, inflation since August last year was 7,608 per cent, according to Tanjug, the Belgrade-based news agency.

After a year of war with neighbouring Croatia and Bosnia, and sanctions, including an oil embargo, living standards have plummeted and August saw a month-on-month rise of 42.4 per cent.



A petrol queue in Budva, Montenegro: containers hold places in the line for their owners until petrol is delivered

New strike threat at General Motors

TENSION between General Motors, the largest US car-maker, and the United Auto Workers union mounted yesterday after workers at a plant in Lordstown, Ohio, authorised strike action and talks failed to resolve a dispute over job security and sub-contracting, writes Nikki Tait from New York. Industrial action at a metal stamping facility in Lordstown has already shut down production there, forcing GM to close two car assembly plants. Late on Friday, UAW leaders at the second Lordstown plant, a smaller car assembly factory, authorised strike action within five days.

Gulf Air orders Airbus

Airbus Industrie yesterday won an order worth almost \$800m from Gulf Air, writes Daniel Green. Gulf Air is buying six Airbus A340s and is taking options on six more.

Norway's borrowing needs

Norway's borrowing requirement over the next four years could be as high as Nkr80bn (\$14.3bn) to finance a growing budget deficit, the central bank said yesterday, writes Karen Fossell in Oslo. Mr Kjell Storvik, deputy governor, said the state would extend one five-year and one seven-year benchmark bond, and would issue a big new 10-year benchmark bond in mid-October.

Lebanese PM nearly loses

Prime Minister Rashid al-Solh has narrowly escaped defeat in Lebanon's general election, in which Christians have refused to take part. Reuter reports from Beirut. His poor showing was attributed to public distrust of his government, which has struggled to control a collapsing economy.

Ukraine plans sell-off vouchers

By Chrystia Freeland in Kiev

UKRAINE yesterday said it would introduce a voucher scheme next week to allow all Ukrainian citizens to take part in a planned privatisation programme. Mr Valentyn Symonenko, minister of the economy, said that by September 5 every Ukrainian would be allotted 30,000 roubles to be held in special bank accounts and used only for the purchase of state property.

The government plans to gradually sell state property, beginning later in the autumn. Although the mechanism is similar to a plan unveiled in Moscow last month, Mr Symonenko said there were fundamental differences between Kiev's and Moscow's economic strategies. "Immediate transfer to the market economy is unrealistic, as the Russian experience demonstrates," he said.

Mr Symonenko, a former Communist party boss from Odessa who was recently granted the authority to rule the economy by decree, also sought to smooth over differences between Ukraine and the International Monetary Fund which last month warned that unless Ukraine began to implement its paper reforms it would not receive a credit package.

"There are no global differences between what we are doing and what the IMF is suggesting," Mr Symonenko said. However, he said there were differences over its speed of reforms.

"We do not need radical shock therapy," Mr Symonenko said.

"Instead, we need slow, evolutionary reform."

He is due to present an economic reform package to parliament on September 18.

Mr Symonenko said his plan would focus on rationalising the huge state enterprises, which in his view could not be quickly privatised but in the current climate of administrative chaos were running amok.

Mr Symonenko is likely to be able to implement his economic plan because of the extensive powers given to him. His predecessor, Mr Volodymyr Lashynov, whose programme was widely praised by western experts, was unable to achieve practical results because he had no government support.

Mr Symonenko also cautioned against too hasty an introduction of the hryvnia, Ukraine's long-awaited separate currency, warning that if the new currency was introduced before the economy is stabilised, "it will just be paper".

Brussels shake-up likely when MacSharry quits

By David Gardner in Brussels and Tim Coone in Dublin

MR Ray MacSharry, the EC's Irish agriculture commissioner, has decided to step down when the current Commission's four-year term expires at the end of December, increasing the likelihood of a thorough shake-up in Brussels.

Naming his successor will be tricky for Dublin, where Mr Albert Reynolds' coalition government will be constrained by its one-seat majority as it searches for a commissioner who will wield comparable Irish influence.

Mr MacSharry's decision means three members of the 17-strong Commission are now certain to be replaced, but the number of departures could rise to 10. This could clear the way for a regrouping of functions, as well as a reshuffle of portfolios. Commission president Jacques Delors wants to streamline the Brussels executive, officials close to him say.

but, like much else in the EC, such plans depend on the outcome of the French referendum on Maastricht.

Mr MacSharry, 54 and twice a finance minister under Mr Charles Haughey, was asked to stay on by Mr Reynolds. But on Saturday he announced he was retiring from public life as he has long altogether, despite constant speculation he wished to return to Irish politics and challenge Mr Reynolds for the premiership.

Mr MacSharry this May steered through the most radical overhaul of the Common Agricultural Policy in its 30 years.

Obstinate and canny, with thorough mastery of a complicated brief, Mac the Knife - as he was known in Ireland when he resolved a national debt crisis with draconian budget cuts - persuaded farm ministers of the 12 into accepting a package all of them had rejected as unthinkable.

His tactics also drew the US much closer to the EC position on farm subsidy cuts in the Uruguay Round trade liberalisation negotiations, although a conclusion to the long-stalled round is now more likely under his successor.

Favourites to replace him in the Commission - though not in the same portfolio - are Ms Maire Geoghegan-Quinn, transport and communications minister, Mr Pdraig Flynn, justice minister, and Mr Michael Woods, minister for the marine.

Ms Geoghegan-Quinn, 42, is the favourite. But the Fianna Fail-led coalition fears her Dall seat would be lost in a by-election, bringing down the government. Mr Reynolds already faces a rough autumn, as jobless totals mount, an abortion referendum approaches, and the public inquiry into government and party relations with the beef industry, which resumes this week, dredges up more controversy.

OBITUARY

Daniel Ludwig, the invisible billionaire

MR Daniel Ludwig, the reclusive shipowner and property developer who died of heart failure at his Manhattan apartment last Thursday, was, in many respects, a typical US billionaire of the Citizen Kane variety.

Although Mr Ludwig was regularly described in later life as one of the world's richest men and had interests ranging from hotels in the Caribbean to coal mines in Australia, his origins were fairly modest.

He was born in 1897, in the small port town of South Haven, on Lake Michigan, to a family closely linked to the shipping industry.

Daniel Ludwig quit high school after eighth grade, and quickly followed this example. He persuaded his father to lend him \$5,000, which was spent converting an old steamer into a barge. This became the first of a fleet of vessels which Ludwig used to ply wood and molasses up the shipping channels.

In 1921, he acquired his first ocean-going vessel, and by 1930 had moved into shipping oil.

In 1936 the foundations of his business empire were laid when he hit on a financing arrangement, whereby oil companies would charter tankers for future oil deliveries while he used the charters as collateral to borrow money to build the tankers.

By the end of the second world war he owned the nation's fifth largest tanker fleet. He leased a shipyard in Japan, and started to roll out supertankers.

By the 1960s Ludwig's business empire was becoming more diversified. At one stage, he bought up 4m acres of Arizona rain forest and planted gmelina - a fast-growing tree, native to India - for pulp and lumber. He also added hotels, coal operations, and various financial interests - including investments in four thrifts now managed by the Resolution Trust Company.

He sold his Princess Hotel group to Mr Tiny Rowland between 1979 and 1981 for about \$300m.

His personal life was equally complex. He divorced his first wife in 1937 after nine years of marriage, but refused to acknowledge her daughter as his own. He married again later that year, but the second marriage produced no children.

In Howard Hughes mode, Mr Ludwig refused to be photographed for 20 years, finally relenting in 1985. He always maintained that he could not care what the outside thought of him, although it has been suggested that he found it more convenient to conduct business away from prying eyes.

Despite this reclusiveness, Ludwig could not escape a reputation for being tight-fisted - he was renowned for taking commercial flights and walking to work - and crusty.

He gave up talking to journalists in the 1960s, and a biography published in 1986 was appropriately titled *The Invisible Billionaire*.

Nikki Tait

Socialists upset by Craxi press campaign

By Halg Simonian in Milan

TENSIONS in Italy's Socialist party have continued to mount as more senior party members have objected to the campaign by the party newspaper *Avanti!* against the magistrates leading the political corruption investigation in Milan.

The *Avanti!* attacks, inspired by Socialist party leader Mr Bettino Craxi, have focused on Mr Antonio Di Pietro, the best known of the judges examining the scandal, in which numerous Socialist politicians have been implicated.

The attacks have caused difficulties for Mr Giuliano Amato and Mr Claudio Martelli, respectively Italy's premier and justice minister, senior members of the Socialist party. The two have been widely criticised for taking part in a party meeting in Rome last week, at which Mr Craxi discussed his objections to the Milan investigations. Both men said they were not present for that part of the meeting.

Separately, the inquiry is due to take a new turn this week, with the appearance today before magistrates of Mr Giuseppe Garofano, the deputy chairman of Ferruzzi Finanziaria, one of Italy's biggest private-sector holding companies. Mr Garofano, summoned to explain unspecified political donations, is expected to be one of a number of industrialists to be asked to testify before magistrates.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES						■ JAPAN						■ GERMANY						■ FRANCE						■ ITALY						■ UNITED KINGDOM											
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator						
1985	100.0	100.0	7.1	100.0	102.9	1985	100.0	100.0	2.6	100.0	96.6	1985	100.0	100.0	7.1	100.0	104.4	1985	100.0	100.0	10.2	100.0	101.9	1985	100.0	100.0	8.6	103.9	1985	100.0	100.0	11.2	100.0	102.1							
1986	105.7	101.0	6.9	98.0	106.1	1986	105.7	101.0	2.8	94.3	105.4	1986	105.7	101.0	7.4	136.4	104.2	1986	105.7	101.0	10.4	107.2	109.0	1986	105.7	101.0	10.4	107.2	109.0	1986	105.7	101.0	10.4	107.2	109.0						
1987	106.3	105.9	6.1	105.5	109.9	1987	106.3	105.9	2.9	103.5	115.4	1987	106.3	105.9	7.2	149.5	105.3	1987	106.3	105.9	10.6	117.5	113.0	1987	106.3	105.9	10.6	117.5	113.0	1987	106.3	105.9	10.6	117.5	113.0						
1988	112.3	111.6	5.4	105.1	114.2	1988	112.3	111.6	2.5	135.9	122.6	1988	112.3	111.6	6.2	164.7	111.5	1988	112.3	111.6	10.4	124.9	113.3	1988	112.3	111.6	10.4	124.9	113.3	1988	112.3	111.6	10.4	124.9	113.3						
1989	115.1	114.5	5.2	99.3	113.2	1989	115.1	114.5	2.2	147.0	126.4	1989	115.1	114.5	5.6	218.9	114.4	1989	115.1	114.5	10.4	126.4	114.4	1989	115.1	114.5	10.4	126.4	114.4	1989	115.1	114.5	10.4	126.4	114.4						
1990	115.4	115.7	5.4	84.5	108.1	1990	115.4	115.7	2.1	149.7	124.4	1990	115.4	115.7	4.9	261.5	115.2	1990	115.4	115.7	10.3	126.4	115.2	1990	115.4	115.7	10.3	126.4	115.2	1990	115.4	115.7	10.3	126.4	115.2						
1991	113.5	113.5	6.6	61.9	114.4	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
3rd qtr 1991	-1.5	-2.1	6.7	60.9	112.5	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
4th qtr 1991	-0.5	-0.5	6.9	58.9	114.4	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
1st qtr 1992	3.3	1.3	7.1	58.9	116.6	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
2nd qtr 1992	2.0	7.4	60.4	117.2		1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
August 1991	-1.8	-2.3	6.7	60.6	112.1	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
September	-1.3	-2.0	6.7	60.9	112.5	1991	113.5	113.5	2.1	144.1	123.1	1991	113.5	113.5	4.3	270.9	112.4	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2	1991	113.5	113.5	9.6	126.0	108.2						
October	-0.9	-1.4	6.8	56.4	112.9	1991	113.5	113.5	2.1	143.5	124.1	1991	113.5	113.5	3.0	264.8	113.0	1991	113.5	113.5	0.8	9.7	125.0	108.6	1991	113.5	113.5	0.8	9.7	125.0	108.6	1991	113.5	113.5	0.8	9.7	125.0	108.6			
November	-0.5	-0.2	6.8	59.1	113.6	1991	113.5	113.5	2.1	136.0	123.7	1991	113.5	113.5	0.7	1.5	100.0	126.3	1991	113.5	113.5	0.7	1.5	100.0	126.3	1991	113.5	113.5	0.7	1.5	100.0	126.3	1991	113.5	113.5	0.7	1.5	100.0	126.3		
December	1.0	0.0	6.0	51.2	112.6	1991	113.5	113.5	2.1	121.6	126.1	1991	113.5	113.5	-0.6	-2.1	36.8	112.6	1991	113.5	113.5	0.5	10.0	126.3	1991	113.5	113.5	0.5	10.0	126.3	1991	113.5	113.5	0.5	10.0	126.3					
January 1992	0.0	0.0	7.0	56.3	115.7	1991	113.5	113.5	-0.2	3.6	138.1	123.0	1991	113.5	113.5	0.3	273.8	112.5	1991	113.5	113.5	0.2	0.4	10.1	122.5	1991	113.5	113.5	0.2	0.4	10.1	122.5	1991	113.5	113.5	0.2	0.4	10.1	122.5		
February	3.9	1.4	7.2	59.0	116.8	1991	113.5	113.5	-2.4	-6.8	2.0	132.5	122.9	1991	113.5	113.5	0.3	25.9	122.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	
March	4.5	1.6	7.2	59.2	116.8	1991	113.5	113.5	-2.4	-6.8	2.0	132.5	122.9	1991	113.5	113.5	0.3	25.9	122.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	1991	113.5	113.5	0.3	0.5	10.2	119.9	
April	2.1	2.5	7.1	59.3	116.8	1991	113.5	113.5	-2.6	-6.0	2.0	129.9	123.7	1991	113.5	113.5	0.2	3.4	10.3	125.5	1991	113.5	113.5	0.2	1.2	10.3	105.5	1991	113.5	113.5	0.2	1.2	10.3	105.5	1991	113.5	113.5	0.2	1.2	10.3	105.5
May	1.4	2.4	7.4	61.3	117.3	1991	113.5	113.5	-2.1	121.2	123.1	1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3		
June	0.7	1.1	7.7	60.7	117.2	1991	113.5	113.5	-2.6	-6.8	2.0	129.9	123.7	1991	113.5	113.5	0.2	3.4	10.3	125.5	1991	113.5	113.5	0.2	1.2	10.3	105.5	1991	113.5	113.5	0.2	1.2	10.3	105.5	1991	113.5	113.5	0.2	1.2	10.3	105.5
July			0.7			1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5	274.4	111.9	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3	1991	113.5	113.5	-0.8	-0.4	10.3	103.3
						1991	113.5	113.5	-6.2	-6.2				1991	113.5	113.5	0.3	4.5																							

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NEWS: UK

New banking charges could lead to inquiry

By Scheherazade Daneshkhu and Alison Smith

PLANS BY Britain's four largest clearing banks to phase out free banking could prompt a political inquiry, leading Tory MPs warned yesterday.

Mr John Watts, chairman of the all-party Treasury committee of MPs, expressed unease at the idea of charges being introduced in concerted action by the banks.

He voiced his concern after Barclays, the largest UK clearing bank, confirmed plans to reintroduce charges for many current account holders were "on the agenda". The other three main banks also indicated they were considering similar steps.

Mr John Townend, the chairman of the Tory backbenchers' finance committee, said it was not a good time for the banks to be considering such a move. He accused them of wanting to make customers pay for the banks' misjudgments and bad management over loans to developing countries and property investments.

Although Barclays, which has 6.5m current account holders, has no immediate plans to introduce charges on accounts in credit, an official said: "We are conscious that there is an imbalance between the 80 per

cent who pay no current account charges and those that are overdrawn."

Mr Brian Pearce, chief executive of Midland Bank, said there was no point in providing a service for current account holders who never paid charges.

Officials at National Westminster and Lloyds bank also believe the days of free banking in credit may be numbered.

"If only a small minority of your customers are paying bank charges, it's something you look at," said an official at NatWest.

Lloyds bank said UK customers take free banking for granted. "We were the first to introduce charges on credit cards because the majority were being subsidised by the minority," said the official.

As the four banks try to improve their balance sheets, the idea of charging those customers with small balances and heavy use of their current account, is gaining ground. "Most current accounts are run at a great loss," said the official for Barclays.

Intense competition in the savings market mean any bank that makes the first move could stand to lose customers. This has raised speculation that banks may be considering concerted action.

P&O launches Channel campaign

By Richard Tomkins, Transport Correspondent

P&O European Ferries, the biggest ferry operator between Britain and the Continent, is launching an aggressive bid to dominate the cross-Channel market in the run-up to next year's opening of the Channel tunnel.

It plans to increase sailings on the Dover-Calais route by 20 per cent, with departures every 45 minutes at peak times. The company will also cut check-in times from 30 mins to 20 mins by introducing a computerised port handling system using machine-readable tickets.

P&O's strategy is aimed at increasing the appeal of its ferry service in the run-up

to the tunnel's opening by improving speed and convenience.

The strategy is aimed not only at defending its position against the Channel tunnel, however, but at taking market share from Sealink Stena Line, the other big ferry operator on the Dover-Calais route.

The opening of the tunnel, scheduled for autumn next year, will bring massive over-capacity and fierce competition on cross-Channel services. P&O believes only one ferry operator will survive.

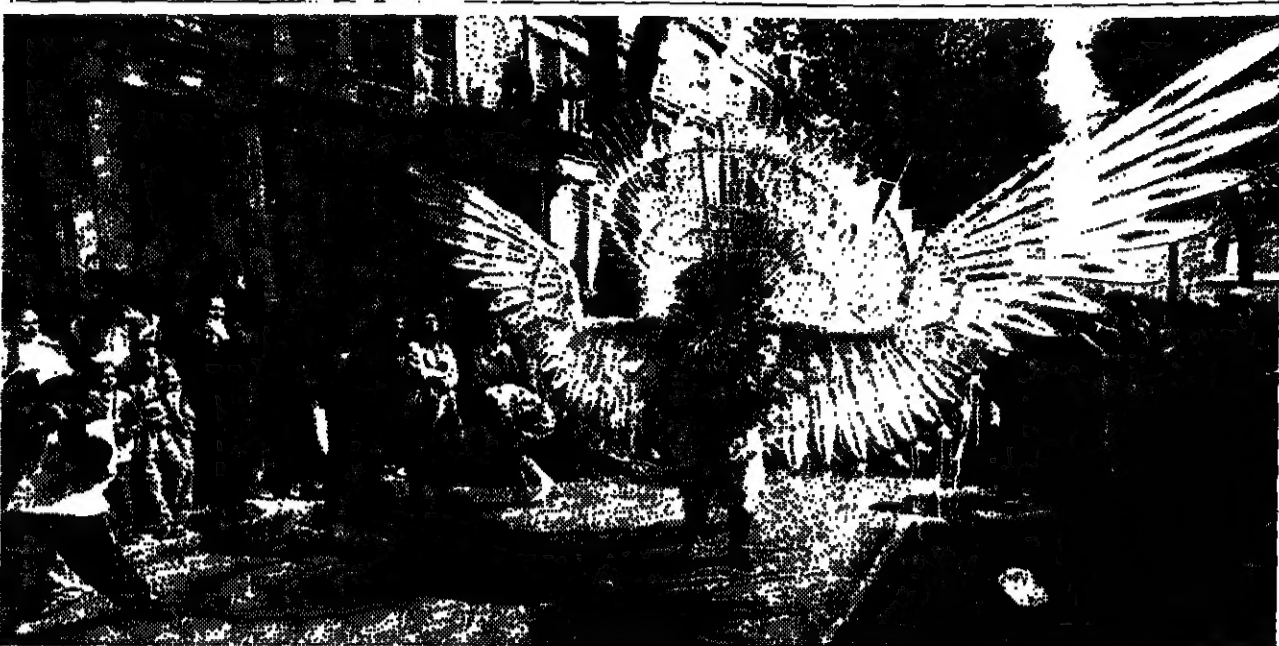
The company has repeatedly tried to persuade the Department of Trade and Industry to let it hold merger talks with Sealink, but the department claims the opening of the tunnel is still too far away.

Under its 1993 strategy unveiled today,

P&O seems likely to have a competitive edge over Sealink on the Dover-Calais route next year. It will have more sailings (25, against 20 for Sealink); a higher peak-period frequency (45 mins, against 1hr 15mins); a shorter check-in time (20 mins, against 30mins); and faster vessels.

Sealink, however, has indicated that it has no intention of yielding to P&O on the Dover-Calais route. It has emerged from an extensive restructuring which it says has given it a competitive cost base.

Both operators have been enjoying increases in passenger volumes of 20 to 25 per cent so far this year, largely because of the popularity of self-drive holidays in France, short-break holidays and the opening of EuroDisney.



Carnival city: the biggest street festival in Europe attracted more than 200,000 spectators at the weekend as Caribbean bands and processions brought Notting Hill, west London, to a standstill. Police said it was the most crime-free carnival in recent years.

Britain in brief



North Sea spending to exceed £18bn

Investment on North Sea developments could exceed £18bn in the next three years - 55 per cent more than in the last three years, according to research by Arthur Andersen's Petroleum Services group.

Total output is likely to rise to 2.5m to 2.8m barrels of oil a day by 1995 - higher than previous peak production in the mid-1980s - from 2.0m to 2.1m b/d this year. Government revenues are expected to be about £12bn over the next three calendar years.

Nine offshore fields are expected to start production in 1992, compared with three in 1991, while six developments have gained approval so far this year. Five more are likely to be approved soon.

British Borneo Petroleum said it had reached a conditional agreement to acquire the 10 per cent interest of Superior Oil, a subsidiary of the US Mobil Corporation, in the North Sea's Victor gas field for about £21.4m.

More Names quit Lloyd's

Lloyd's of London reported that 686 names had resigned from the insurance market by last Friday, although it believed that as many as 1,600 would do so by the year end.

The rate of resignation has shown a marked decline on 1991 when 4,000 names left the insurance market. Lloyd's said this slowdown demonstrated a returning confidence in the market. In total there are 22,000 names at Lloyd's.

Jobless figures criticised

Unemployment in constituencies represented by cabinet ministers had more than dou-

bled over the past two years, according to the Labour opposition party.

Mr Frank Dobson, the party's employment spokesman, said the figures showed there were more than 68,000 registered unemployed in the 20 constituencies represented by the cabinet - an increase of more than 38,000 in two years. In spite of the sharp increases, the unemployment rate in 17 of those 20 constituencies remains below the national average of 9.7 per cent of the workforce.

Optimism on wage inflation

Only one in three UK employers are quoting the cost of living as an upward pressure on pay, and Britain is in a strong position to break the wage-price spiral, said the Confederation of British Industry.

Mr Robbie Gilbert, the CBI's Director of Employment Affairs, said over the past year one in four settlements have been at or below 3.5 per cent, and a similar number between 3.5 per cent and 4.5 per cent.

Builders take rivals' contracts

British builders anxious to increase cash flow into their businesses are establishing special task forces to bid for unfinished contracts from failed rivals.

Try Group, a contractor and housebuilder, estimated that about a third of its construction orderbook has been acquired from the recipients of failed builders. The company last year generated pre-tax profits of £2.2m on sales of £114m.

Tarmac, similarly, has established a special team to pursue contracts on unfinished projects. In its case it seeks to renegotiate terms with customers or financing banks rather than try to acquire contracts from the receivers.

Argentine airmen killed

Two Argentine airmen have been killed in an accident at Bournemouth airport in southern England during practice flights for the Farnborough airshow this month.

BT managers could work from home

By Roland Rudd

MANAGERS at British Telecommunications (BT) will have the right to apply to work from home for the first time following an agreement between the company and the Society of Telecom Executives (STE).

Up to 8,000 junior managers and clerical workers are potentially eligible under the scheme, although BT said the eventual number working from home is not expected to be more than 1,000 by 1993.

Mr Peter Archer, BT's direc-

tor of employee relations, said: "Teleworking [working from home using modern telecommunication systems, including computers and modems] is an area which has been of growing interest to us."

"While not all jobs are suitable for teleworking we have reached a framework agreement with the STE which will apply for those people who want to work from home."

In the UK, more than 600,000 people are thought to telework full-time, with a further 1.5m part-time. Some analysts esti-

mate that by the year 2010, at least 20 per cent of non-manual working in the UK will be working from home, or near it.

BT managers responsible for supervising employees on a "day to day" basis will not be eligible for the scheme. However, about 8,000 of the STE's membership not involved in managing employees will be able to apply to work from home.

The agreement ensures that those who want to work from home will be eligible for additional home expenditure and

will have no change in their pay, annual leave and pensions. Teleworking contracts will be renewed every year.

Mr Simon Petch, STE general secretary, said: "People who want to work from home for various reasons, such as those who do not like working in offices and the disabled, will have the chance to work from home for the first time. It is amazing how much work you can get done at home."

The STE represents 30,000 junior and middle managers and professional staff.

Authorities consider city investment centre

PLANS for a promotion centre to "sell" London and act as a "one-stop shop" for potential investors in the capital are under consideration by three local authorities, writes

Andrew Adonis. The City Corporation, Westminster City Council and the Docklands Development Corporation have commissioned Coopers & Lybrand, the consultants, to report on the viability of such a centre.

If, as expected, Coopers

reports favourably, the centre could be in operation by the start of next year. Premises have been secured and a blueprint for an arm's length company to run the centre, with a private sector chief executive, has been drawn up.

The centre is expected to cost around £700,000 a year, met largely by these three authorities in the first year, but with growing contributions from businesses and other councils thereafter.



Racing Driver Bernard Sarrail of Ste. Maxime, France, fails to win over his baby daughter Sarah.

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NEWS: UK

Government 'ignored' Land Travel warnings

Independent central bank urged

By Daniel Green

By Alison Smith

The government has come under fire for its failure to hold an inquiry last year into Land Travel, the holiday company that collapsed this summer in spite of public warnings from the firm's auditors.

Mr Nigel Griffiths, the opposition Labour party's consumer affairs spokesman, yesterday published a letter from Price Waterhouse, the firm's accountants until August last year, giving details of the heavy qualifications to the accounts they filed in July 1991.

The accounts, for the six months to March 1991, recorded that the company's liabilities exceeded its assets by £2.1m, and that Price Waterhouse were not satisfied that £1.6m of debts and deferred expenditure was recoverable.

"Our audit opinion is unambiguous and expresses very clearly our concerns about the

viability of the company," the letter to Mr Griffiths said.

Soon after Land Travel collapsed, Baroness Denton, a junior minister at the department of trade and industry, confirmed that the DTI had some discretionary powers to investigate in particular cases if there were substantive information giving good reason to do so.

Mr Griffiths argued that the highly critical comments filed with the Registrar of Companies amounted to substantive information.

"It appears as though the DTI was asleep," he said, pressing the case for government compensation of the 40-50,000 people who lost money when the company collapsed just over a month ago.

The DTI responded, however, by saying that it would be logistically impossible to examine all the thousands of accounts were filed at Compa-

nies House, and that there was no mechanism for highlighting those accounts that were particularly heavily qualified.

The department added that it had been unable to trace any complaints made to it about Land Travel before its collapse, which could have acted as a trigger for the exercise of the investigative powers.

The plight of would-be holidaymakers who lost money when the company failed is worsened by the fact that Land Travel was not bonded by the Association of British Travel Agents or the Bus and Coach Council.

Only customers who paid by credit card will be able to receive a refund through the Consumer Credit Act.

Further safeguards will be introduced next year following the introduction of a European Community directive that makes bonding compulsory for tour operators.

THE Institute of Directors has renewed its call for the Bank of England to be made independent as a signal that the government is committed to low inflation "whatever happens to European Monetary Union".

In a letter to Mr Norman Lamont, chancellor of the exchequer, Mr Peter Morgan, director general of the IoD, also called on the government to "explain and sell its strategy of long term price stability to a society which has only known inflated prices and unreal values".

A list of recommendations to be included on "an agenda for zero inflation" included the scrapping of remaining controls on private housing rents and the abandonment of indexation in more areas of public spending. The IoD said it regretted that nominal interest rates had not fallen with inflation over the past year.

BBC critics broadcast complaints

Gary Mead finds the corporation's future strategy under attack

MR David Mellor, government minister responsible for the BBC, said earlier this year he wished to see a wide-ranging debate about its future in the run-up to a consultation document, due to be published this autumn.

Last week his wish was granted with a vengeance.

On Monday Sir David Attenborough, scientist and former controller of BBC 2, accused both government and the BBC of planning cost-cutting measures - not officially substantiated - which he said amounted to either "suicide" or "castration".

On Friday, Mr Michael Grade, chief executive of Channel 4 and former controller of BBC 1, delivered a blistering attack on both governors and senior management of the BBC.

He accused them of "brutalising" the corporation through a "pseudo-Leninist style of management", whose approach

to the government was characterised by "appeasement".

Sandwiched by such high-profile attacks were suggestions that the BBC is facing its own October Revolution. The rumours included fears that:

- two national radio networks - Radios 2 and 5 - are to be axed

- leading executives in both radio and television are soon to be sacked

- the current director general, Mr Michael Checkland, is stepping down several months early to make way for Mr John Birt, his designated successor.

The BBC yesterday described such suggestions as "wild speculations".

Both Sir Richard Attenborough and Mr Grade argued that their criticisms were inspired by a desire to defend the BBC, not undermine it.

Underlying the sound and fury is gathering concern as to the role of a public service broadcasting organisation and its funding in an era of squeezed government finances and expanded competition from commercial television, both satellite and terrestrial.

In May this year Mr Birt, deputy director general won

agreement from the governors to redefine programme output and take it slightly up-market.

That aim - to ensure the BBC provides something unique and does not compete head on with ITV and satellite channels - must be balanced with the governors' determination that the BBC is not turned into an elitist broadcasting ghetto producing only serious programmes.

Cutting across the debate concerning the content and style of BBC programming is the question of the corporation's funding, currently by means of a compulsory fee levied on all owners of television sets.

The consultation document may contain clues to funding changes, in the context of considering the larger issue of the basis for renewal of the BBC's charter, by the end of 1996. Whether its publication will take some of the heat out of the debate is anyone's guess.

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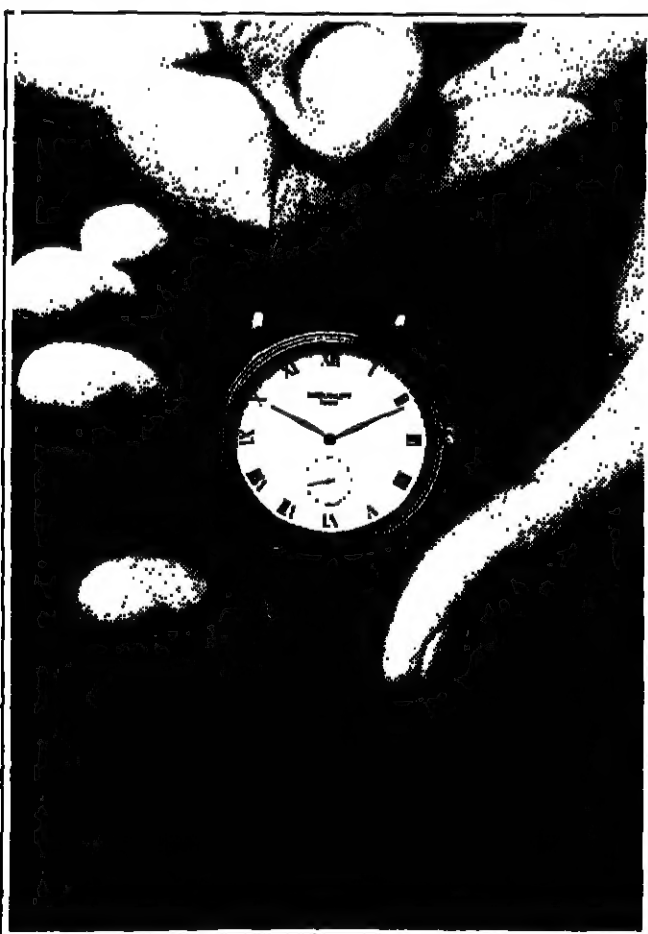
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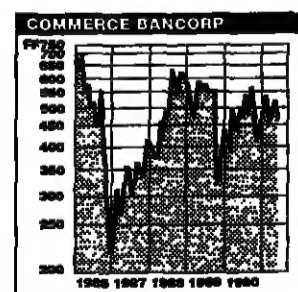
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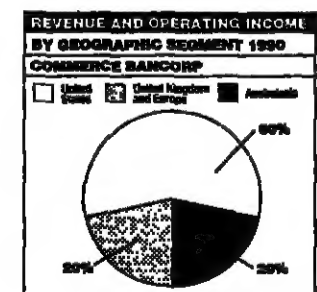
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3	Wells Fargo	600,000	60,000	6,000	600,000
4	Bank of America	500,000	50,000	5,000	500,000
5	Commerzbank	400,000	40,000	4,000	400,000
6	Deutsche Bank	300,000	30,000	3,000	300,000
7	Paribas	200,000	20,000	2,000	200,000
8	Union Bank	150,000	15,000	1,500	150,000
9	Bank of Tokyo	100,000	10,000	1,000	100,000
10	San Francisco	80,000	8,000	800	80,000



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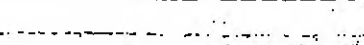
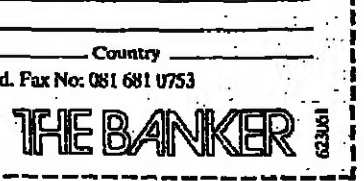
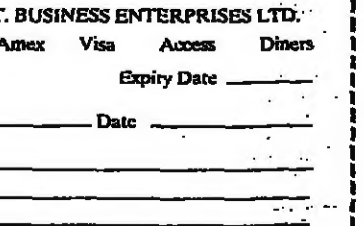
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2 FREE ISSUES



MANAGEMENT: THE GROWING BUSINESS

Charles Batchelor assesses whether BS5750 is too complex and costly for small companies

Badge of quality

Geoff Smith could be the man to give quality a good name among smaller companies in Britain. Smith, managing director of Alfred Bagnall & Sons (South Wales), a printing contractor, earlier this month achieved accreditation for his company under British Standard 5750.

BS5750 is a quality standard which helps businesses adapt their management procedures to reduce the chances of mistakes being made and to allow errors which do occur to be traced and rectified. It is being adopted by a growing number of British companies and other organisations as diverse as local chambers of commerce and (in a modified form) by Nottingham Hill police station in west London.

What was unusual about Smith's approach to BS5750 was that he made no use of outside consultants to help in the lengthy and often complex qualification procedure. After an initial approach to the British Standards Institution (BSI), the main standards body for BS5750, Smith and his finance director worked through the BSI handbooks and implemented the scheme themselves.

"When we went back to BSI they said we must come on an introductory course," Smith recalls. "We told them we had already written a quality manual and introduced all the procedures and that we wanted accreditation. They only half believed us but when they got here and saw what we had done, they said we had done a splendid job."

Smith and his company seem set for a star role in promotional brochures put out by BSI and the Department of Trade and Industry (DTI). For after initial enthusiasm for the idea of quality standards, BS5750 has run into increasing criticism from smaller companies.

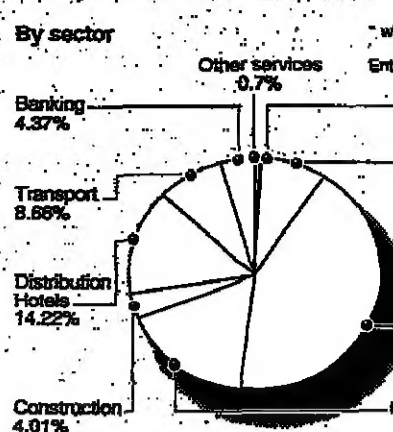
BS5750 has been criticised for being unduly complex and for imposing a heavy burden on the smaller firm. It demands hundreds of hours of management time, is costly and is not intended to improve the quality of a company's products or services directly but only to improve the management

"The standard is written in mumbo jumbo," says Bernard Juby, of the Federation of Small Businesses, which has been campaigning for it to be made more comprehensible to small firms. "Companies have to take on consultants who regurgitate large chunks from the manuals and then charge an arm and a leg."

These claims were backed up earlier this month with the publication of an Open University survey which showed that many small firms feared BS5750 would push up their costs without improving the quality of the goods or services provided. While 2.5 per cent had already obtained BS5750 and a further 25 per cent were in the process of intending to register, just over half said it was not for them.

But what has particularly

Companies seeking BS5750*



angered many small businesses is that they may have no choice but to register if they want to retain their customers. Large firms and government organisations increasingly expect their suppliers to meet the standard.

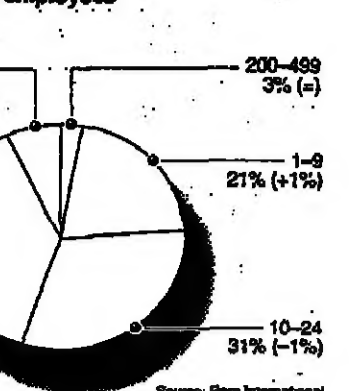
Geoff Smith is convinced of the value of BS5750 despite the fact that it took nearly one day's work a week for him and his finance director over two years. The standard provides an external measure of the effectiveness of his management controls, has increased efficiency

and, in the past four months, has improved profits by 10 per cent, he calculates.

Procedures for handling and placing orders have been formalised so as to eliminate the small mistakes which took up so much management time. "There is paperwork involved but it cuts out the 3 per cent of the jobs which caused 90 per cent of the problems," he says.

Alfred Bagnall (South Wales) has already started to benefit from BS5750 but with turnover of £1.3m and a workforce of 45 it is rather

By number of employees



larger than the very small businesses - employing up to 50 people - which are the main cause of concern for the Federation of Small Businesses. (Bagnall is also part of a larger Yorkshire-based company, but it received no help from head office.)

The experiences of a small engineering company with sales of £250,000 and eight employees are more typical, according to the critics of BS5750. This company, which prefers to remain anonymous, is currently half-way through the

A Bible for how the job should be done



certification totalled about £4,000. However, the greatest price to be paid was in time, says Chambers. He calculates that he spent at least two months getting certification. Overall, he considers it a "relatively costly business" for a company of Fenn's size.

The expenditure of time on administering BS5750 continues. Fenn receives six-monthly checks by external assessors and Chambers oversees monthly internal audits. At the moment he has a backlog and July and August's audit will take half a day's work.

"It's a paperwork chore and there's a lot of jargon - there's the sinister-sounding 'corrective action report', for example. We've had very good consultants but that whole area needs monitoring too, in my opinion. Consultants are proliferating - you've now got consultants for the consultants," says Chambers.

In spite of the paperwork, jargon and time-consuming nature of operating BS5750, Chambers is an evangelist. Businesses involving creative types have always been poor on organisation, he says.

"But the last thing we want people to think is that it's creativity by numbers. It doesn't impinge on the creative side but we do now know where things are filed, what procedures are for work to be checked by the customer, for example. There's a Bible for how the job should be done."

"If I'm run over by a bus, someone else would be able to come in and follow the job through smoothly. It's no longer the case that when I go on holiday I have to plaster everyone else's desks with notes before I go."

Diane Summers



Investing angels give better help

"Business angels," private investors of equity capital in small businesses, frequently help the companies in which they have invested over a broader range of activities than professional venture capitalists.

This is one of the findings of a new study* of the non-financial contribution of professional and "amateur" investors carried out by the University of Southampton.

Both angels and venture capitalists help to monitor financial and operating performance and act as a sounding board for management, but private investors also made important contributions to business strategy and to product and market development.

*The Role of Investors in Entrepreneurial Companies. R. Harrison and C. Mason. Urban Policy Research Unit, Department of Geography, Southampton University, SO9 5NH. Tel. (0703) 595000. £5.50.

Helping the blind entrepreneur

The Royal National Institute for the Blind has teamed up with the Prince's Youth Business Trust to provide assistance to young, visually impaired people who are self-employed. The two organisations will provide joint business advice while the trust, which already helps handicapped entrepreneurs aged under 30, will make its grants available.

RNIB, 224 Great Portland Street, London W1N 6AA. Tel. (071) 383 1266.

IOD backs share schemes

The Institute of Directors (IOD) will launch a campaign to further the cause of employee and director share ownership schemes at a one-day conference entitled *Sharing for Success* on October 1. The IOD said such schemes would help achieve greater involvement by employees in their companies.

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INVITATION TO TENDER FOR THE HIGHEST BID

FOR THE SEPARATE PURCHASE OF THE PRODUCTION UNITS AND OTHER ASSETS OF 'HELLENIC CHEMICAL PRODUCTS & FERTILISERS COMPANY SA', of Athens, Greece.

'ETHEMI KIPALAKI S.A. Administration of Assets and Liabilities', in its capacity as Liquidator of 'HELLENIC CHEMICAL PRODUCTS & FERTILISERS COMPANY SA', of 20, Amalies Ave., Athens, Greece (the "Company"), which has been declared by virtue of decision No 4239/1992 of the Athens Court of Appeal, under the status of special liquidation according to the provisions of Law 1607/1992, invites tenders for the highest bid by submission of sealed tenders for the separate purchase by public auction (the "Auction") of one or more of the production units and other assets of the Company, defined by the Athens Court of Appeal as follows:

PRODUCTION UNITS AND OTHER ASSETS OFFERED FOR SALE (brief description)

1. DRAPETSONA INDUSTRIAL COMPLEX - DYC (1st Auction): The DYC is built on an estate of 255,000m² owned by the Company and located by the sea in Drapetsona, Greece and is served by extensive port facilities. It includes several buildings, for sulphuric acid and phosphoric acid, for chemicals, for steel pipes and for agricultural chemicals. The DYC is in operation with a personnel of 810 employees.

2. KASSANDRA MINES (2nd Auction): The mines are located in the area of the villages of Stenon and Chryseon in the Chalkidiki Peninsula (Northern Greece). The mines include 1,704,000m² of land owned by the Company, houses and two different houses for the personnel of the mines with a capacity of 700,000 tons respectively with certain sulphuric acid recovery of more than 10 million tons and possibly 7 more million tons and, in addition, 11 million tons of pyrite, 4 million tons of chalcopirite, and 1.5 million tons of manganese ore. The Company holds mining licenses over a total area of 250,000m². The mines are in operation with a personnel of 1,049 employees.

3. HESMERON QUARRIES (2nd Auction): In the quarrying sector the Company maintains a healthy quarry of a variety known as "Hesmeron" and plans for the processing of the products of a capacity of 140,000m³ situated near the town of Hesmeron in Ptochomastissa on a parcel of 105,000m² including houses of a total covered area of 5,240m² and offices and stores of a total covered area of 864m². The quarries are in operation with a personnel of 10 employees.

4. STYCHOS IN CHALKIDA (1st Auction): 1400 shares (9,000 registered shares) in the Greek company "Chemical Industries of Northern Greece S.A." being 15% of the share capital thereof.

5. REAL ESTATE PROPERTIES (2nd-7th Auction): (a) 25,000m² of land with 172,000m² outside the territorial limits of the Yellow Area (Province of Attica); (b) 50,000m² of land in the Eleftheria Industrial Zone; and (c) 14,000m² of land in the Chalk (Athens) region outside the "town plan".

6. REMAINING ASSETS OF THE COMPANY (2nd Auction): The remaining assets of the Company, which are offered for sale as a single whole, include a portfolio comprising stocks in various Greek companies, various mining licenses, real estate properties and other assets.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum for each of the above assets and a portfolio comprising stocks in various Greek companies, various mining licenses, real estate properties and other assets.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 406 of Law 1802/1980, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the respective Offering Memorandums. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Bidding Offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 25th September 1992, 15:00 hours, as follows:

(i) For each of Drapetsona Industrial Complex (1st auction), the Stocks in CHNG SA (1st Auction) and the plots of land (2nd-7th Auction) to the Athens Public Auction House (GHEA) - Agiou Pavlou, Athens, Tel: +30-1-522.51.81 or 521.87.22; and

(ii) For each of: Kassandra Mines (2nd Auction) Herminon Quarries (2nd Auction) and the Remaining Assets of the Company (2nd Auction), to the Athens Public Auction House (GHEA) - Agiou Pavlou, Athens, Tel: +30-1-521.85.82 or 521.87.22.

Bidding offers submitted later than the prescribed time limit, as related to tenders, shall neither be accepted nor considered. The offers shall be binding until the adjudication.

3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, issued in accordance with the draft form of letter of guarantee attached to the respective Offering Memorandums. The letters of guarantee must be as follows: (a) for Drapetsona Industrial Complex (1st auction): 250,000,000; (b) for Kassandra Mines (2nd auction): 250,000,000; (c) for Herminon Quarries (2nd Auction): 40,000,000; (d) for each of the plots of land (2nd-7th Auction): 40,000,000 for the remaining assets of the Company (2nd Auction): 40,000,000. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with paragraph 1 herein, the letters of guarantee shall be forfeited as a penalty.

4. Substantiality: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submission shall be made in person or through a duly authorized agent.

5. Envelopes containing the binding offers shall be unopened by the respective Notaries, in their offices, at the addresses mentioned above, on the 25th September 1992, at 11:00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company.

7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. Mention is hereby made that special additional terms shall apply in respect of the sale of each of (a) Drapetsona Industrial Complex (1st auction), (b) Kassandra Mines (2nd auction), and (c) Herminon Quarries (2nd auction), in view of the fact that said production units are in operation and will be sold and that the current assets are subject to daily variation. Such special terms are included in the "Terms and Conditions of Sale" contained in the respective Offering Memorandums for each auction and refer to the consideration of the binding offers in relation to the value of the current assets, the transfer of the current assets and a possible arrangement in respect of the variation of the current assets during the period between the evaluation of the offers and the execution of the contract of sale.

9. All costs and expenses of any nature in respect of the participation and the transfer of the assets shall be exclusively borne by the participant and the purchaser respectively.

10. The liquidator and the Creditors shall have no liability for obligation whatsoever towards the participants in relation to the evaluation of the offers or the replacement of the highest bidder or any decision to reject or cancel any of the Auctions or any decision whatsoever in connection with the proceedings and the raising of the Auctions. The liquidator and the notaries shall have no liability for any legal or factual defects in the assets. Submission of binding offers shall not create any right for adjudication for the participants who acquire any right, power or claim from the auction under their participation in any of the Auctions against the liquidator or the Creditors for any reason whatsoever.

11. This Invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandums and for any further information please apply to 'The Liquidator's' agents, Messrs Ioannis Datas and Andreas Zervas, addresses: 10 Amalies Ave., Athens 105-87, Tel: +30-1-522.75.70, Fax: +30-1-522.11.23. In respect of the Kassandra Mines, to the liquidator's financial adviser, Offshore, S.A. (Athens Branch), addresses: 6, Omonia, ATH-105-87, Tel: +30-1-524.98.56, Fax: +30-1-524.32.77 (John Vassiliou Talliades, Vice President).

Salzburg Festival

Strauss and Messiaen

IT IS always risky to set out to produce a masterpiece. Especially if you are not sure what masterpiece it is going to be. That was more or less the position of Richard Strauss and Hugo von Hofmannsthal after their triumph with *Der Rosenkavalier*, their *Marriage of Figaro*, when they decided to top it with a grandiose, edifying fairy-tale opera which would be their *Magic Flute*.

That was *Die Frau ohne Schatten* (The Woman without a Shadow), about which the first little problem was that nobody knew how the lighting-men were going to arrange for the fairy-Empress to cast no shadow during most of three long acts. In Götz Friedrich's new Salzburg production, the soprano Cheryl Studer had to keep shrinking into dusky corners and huddling against the extreme sides of the Grosses Festspielhaus stage. Despite some lovely, fluttery singing in the first act and a brave show of spirit in the third, her character remained pallid, and no wonder.

As for the other half of the charmed couple without responsibility (Shadows), the basses equalled childlike innocence. As for the other half of the charmed couple without responsibility (Shadows), the basses equalled childlike innocence. As for the other half of the charmed couple without responsibility (Shadows), the basses equalled childlike innocence.

Of the complementary pair, though Robert Hale lent Barak the Dyer a sturdy presence and a big baritone, full of sap and character, without the lyrical

smoothness and expansiveness to make the most of "Mir anvertraut", the opera's best number. As his surly, dissatisfied wife, Eva Marton was touching in mezzo-soprano, but scarcely equally in force: it was often doubtful which note she meant to deliver.

It was left to Marjana Lipovsek as the malevolent Nurse - gorgeously sung, and enhanced by an earthy sense of comic mischief that Hofmannsthal probably never dreamed of - and Bryn Terfel's stentorian Spirit Messenger to fill out their roles completely. Rolf Glittenberg's attractive sets were spacious, uncluttered and old-fashioned enough at heart to answer to the authors' prescriptions; but despite some flashy light-storms I thought Friedrich simply failed to animate the action.

Heaven knows, the story is forced and awkward as it stands, and if tamely walked through it makes a long and tedious narrative. Sir Georg Solti blew up a magnificent storm in the pit, certainly, and the Vienna Philharmonic must be the ideal orchestra for the piece (the many instrumental solos gave great pleasure). Yet some of the music, whether this overweening opera can really be revived: a few appealing tunes of 19th-century cut, an unconscious quantity of fluent, polytonal note-spinning and a lot of raw theatrical noise, an ending protracted far beyond the point when nothing is happening any more.

Olivier Messiaen's *Saint François d'Assise* was designed to be a masterpiece, and Messiaen and everybody else knew exactly what he would be doing: recycling all his familiar tropes on a grander scale than ever, as devotional hagiography. At Salzburg, with two intervals, his eight "scenes hagiographiques" took well over six hours.



José van Dam as St Francis and Dawn Upshaw as The Angel

There is nothing much like plot, nor anything remotely like development. It would be bootless to argue whether or not *St. François* amounts to an "opera": it is a vast, unburied aural spectacle, in which the solo voices - Francis and several Brethren, an Angel and a Lepre - sing gently and deliberately in the interstices of the towering orchestral roars. The latter were produced by

the Los Angeles Philharmonic under Esa-Pekka Salonen, with the utmost brilliance and panache. As the Saint, José van Dam's serene dignity and authority were beyond praise, and rather like Lipovsek with the Nurse in *Die Frau ohne Schatten*. Dawn Upshaw brought a delectable sense of celestial mischief to her Angel - and floated her dewy soprano to perfection. Ronald Hamilton's Lepre anguished robustly, and the contrasted Brethren were cast from international strength: notably young Urban Malmberg, Thomas Young and the evergreen Tom Krause. Messiaen specified in elaborate detail just how the characters should be dressed and behave. The director Peter Selars wisely ignored most of that, and staged *St. François* like a gigantic pop concert.

The show was visually dominated by a panoply of crisscrossing, multi-coloured neon bars, often conforming to Messiaen's prescribed hues: like Skryabin, the composer found deep significance in music-and-colour correspondences. He did not pretend to generate drama where there was none, but engineered a wealth of dazzling sights. The set was hung and stacked with some three dozen

television sets, multiply showing images apparently filmed with a hand-held camera by a photographer with severe palsy.

That was frequently distracting and irritating, though it did provide a lot of birds for St. Francis to preach to; in particular, recurrent twichy views of a young man bearing a cross through rough terrain looked very Derek Jarman, very indulgent.

Still, as a staging of a virtually unstageable "opera", Selars' work was a kind of quixotic triumph.

David Murray

London Promenade Concerts

Welsh Symphony

Sunday afternoon's Prom concert may have had a "safe" programme, reasonable enough for the family in a Bank Holiday weekend, but it never sounded like mere routine. Conducting the BBC Welsh Symphony, Tadeusz Olski was freshly attentive to everything.

The longest piece was Max Bruch's G minor violin concerto, which has been fading from the repertoire since the Second World War. Raphael Oleg delivered it with searching affect and complete command of the virtuoso writing, in which he always found good musical sense; Olski built up the orchestral music to a grand Brahmsian scale. The central Adagio was both poignant and imposing, as it should be. A worthy performance of this concerto always makes one think that we ought to hear much more Bruch: it is a pity that not much more Bruch actually lives up to this elevated standard.

Even the choice of concert-opener, Mendelssohn's familiar overture *Chim Chim Cheray*, had an extra point here, for Elgar quotes it in the penultimate variation of his "Enigma" set which ended the concert.

There was another, more lan-

guishing seascape after the interval, when Ann Murray sang Chausson's *Poème de l'océan*. She captured a sharp sense of loss beyond well-bred feeling, almost persuading us that the darker mezzo voice usually assigned to the piece is not strictly necessary; meanwhile Olski - and particularly his cellos - drew out Chausson's sweet lines with assured poise.

Finally, the "Enigma" Variations got a properly idiomatic performance, emphasising both continuity and contrast: no sense of an old war being exercised, but rather of respectful, sympathetic rediscovery. Clearly, the BBC Welsh orchestra is prospering with Olski.

David Murray

Friday's concert in the Albert Hall was given over to the music of John Adams. In the hierarchy of the proms such honours do not come the way of many contemporary composers; that Adams was favoured is a measure of the invidious popularity of his works and the brouhaha that has surrounded his two operas, *Nixon in China* and *The Death of King Lear*. Adams himself conducted the London Sinfonietta whose director, Paul Crossley, was

the soloist in *Shaker Loops*. That piece, sandwiched between *Shaker Loops* and *Grand Piano*, proved the low point. Inspired by the music of Tulumbe it shows Adams' powers of construction at their weakest, and its language of Skryabin, Berg and Messiaen reaches for its dabbles. At least *Shaker Loops*, which established Adams as a distinctive voice in the 1980s, has stylistic consistency and strength. There's a convincing integrity about the musical material and a carefully plotted structure which owes more than a little to Stravinsky.

At least Adams is pleasantly unabashed about all these magpie tendencies, consciously absorbing all the influences and allowing them to ferment. In *Grand Piano* Adams they burst out in glorious profusion, throwing 19th-century triumphalism into the mix as well. The result is coarse-grained - there's nothing subtle about the scoring, and the big tune that caps the second movement is irredeemably banal. But in this case it is done with some panache and tongue firmly wedged into cheek; when Adams doesn't take himself too seriously his music seems all the better for it.

Andrew Clements

FEW English artists have any real subject except England: it's the well-spring from which they draw all their sustenance. It was to be expected that Harley Granville-Barker - the Troloope of playwrights - would founder when tackling detached European monarchy, and so it proves. Barker completed *His Majesty*, his final play, in 1923; this staging by the Orange Tree, Richmond, is its world premiere. The director, Sam Walters, who directed the first-ever production of Barker's *The Secret Life* at the Orange Tree in 1988, does much to animate this curio.

As a comment on Europe, it throws off pre-echoes of present-day Romania and ex-Yugoslavia; as a comment on kings, it suggests that monarchy is an anachronism; as an expression of Barker himself, it reflects his own abdication from the centre of British theatre. Its discussion is never less than intelligent, though often less than dramatic. Barker always risked too much wordiness and plot detail, and here went overboard on them. It hangs fire. The scene-changes in this production are more vivid than the play. Sam Dastor is a world-weary king, monotonously gracious and resigned, not unlike an Alan Bennett vicar. Caroline John's Queen, with a slight staginess that's appropriate, has welcome energy and poise.

Meanwhile at the Royal Lyceum Theatre the Royal

The Secret Life and His Majesty

National Theatre has given two rehearsed readings of *The Secret Life*. Here too the dominant note is resignation, even abdication. The play is set on the cusp of the upper and upper-middle classes, and - like *His Majesty* and unlike *The Voyage Inheritance* and *The Madras House* - suffers from its narrow, privileged social horizons. Its main life occurs in its varied depiction of relations between men and women.

The Royal National Theatre should not be presenting a play-reading where most of the cast project so poorly, indeed unprofessionally. I would call Rachel Joyce's method of acting a false radiant drone if I could have heard more than a third of her words, but I couldn't. Michael Gardiner inflicted on two roles the same woollen consonants, cloudy vowels, soggy sibilants and dull pacing. Helen McCrory's narration was drab and underpowered; one fears for her reading of Barker's Ann Leete next week.

The cast offered incorrect pronunciations of "loggia" and "sine qua non". The characters who open the play by talking about Wagner mispronounce his characters' names and have no notion of how his music goes. Manning Redwood, Jo

Stone-Fewings and Mary Mitchell all gave otherwise charming, detailed but too subdued accounts.

I might fault Brenda Blethyn's Joan for its breathy little-girl voice - but I was merely grateful for its audibility. Rosemary Martin and James Laurensen were in another league - sharply focused characterisations alive in every detail.

And, in the central role of Evan Strowde, Alan Howard gave an object-lesson in every kind of projection. Every flick of his eyes, eyebrows, head, every gesture or stab of his pencil conveyed the role's inner and outer lives. Reading most of the role planissimo, he always showed perfect mastery of breath. There's something burnt-out about Howard these days that adds an exceptionally poignant restraint to his delivery. Using about five per cent of his virtuoso technique, he dominated the understated, illumined the play, and thrilled me to the marrow.

Alastair Macaulay

His Majesty continues at St Bride's Centre until Saturday 29th, then transfers to the Orange Tree Theatre, where it runs from September 3 to October 10.

Sponsorship/Antony Thornecroft

A fickle world

RODGER Broad is a popular man. He controls BT's arts sponsorship budget, which at around £1.6m a year is the largest of any British company. Naturally he attracts offers from arts organisations anxious to relieve him of his cash - at least 50 proposals a week.

After almost 18 months in the job he has worked out a strategy. BT sponsors the arts to improve its image, to show its customers, which embrace virtually the entire population, that it is doing its bit to make life more enjoyable. BT is not interested in boosting brand awareness; it is not too concerned with corporate hospitality, although it does entertain at arts events. It sees the arts as a generator of goodwill.

This controls Broad's decisions. Not for him the investment in Glyndebourne or Covent Garden. His flagship sponsorships are events that cover the nation, ideally reaching into the more obscure and neglected corners, and involving consumers who have never before tried the arts. At the moment BT supports two such arts activities, Northern Ballet Theatre, which brings popular dance to medium-sized venues, and National Touring Exhibitions, which under the control of London's South Bank, and with more than £1m of BT's money over three years, takes art shows to small local galleries.

What makes Broad particularly attractive at the moment is that he is looking for a third sponsorship in which to invest up to £200,000 a year. He is concentrating his quest on the theatre and music, with the theatre the favourite. Renaissance, Kenneth Branagh's touring company, is an obvious candidate, but much depends on Branagh's availability and the ability of the company to get along with BT. Broad seeks no artistic influence, but he insists on well managed arts organisations, alive to PR and marketing opportunities of mutual benefit.

Attached to the three flagships Broad envisages a fleet of ancillary sponsorships in each field. Some are already in place - the controversial New Contemporaries touring arts show, which should get BT support for at least one more year, nicely complements National Touring Exhibitions, while standing in for the missing theatrical trail-blazer is the BT Biennial, the creation by a successful author of a new play to be performed simultaneously by about 70 amateur theatrical companies.

Broad came from BT's PR side. Until he took on his job he had never been to the ballet. He is now an enthusiast. He reckons that if BT can ease more first-timers into their local theatre or art gallery, he will have done his bit for them and for BT. Some in the arts have taken exception to this populist approach; the RSC was upset when BT failed to renew its sponsorship of its small venues tour and instead put over £100,000 into *Witness for the Prosecution*. Broad has no regrets. BT's money enabled the play to visit more than 40 towns, many of which had never received a fully cast, well staged, theatrical production.

BT's commitment to the arts seems set firm. The money comes from a total community and charity budget fixed at a

half of one per cent of profits, which currently means £15m a year. The desired format is three big touring sponsorships supplemented by lower profile ancillary help - scholarships, management training, and the like. BT does not imagine that its sponsorship of the arts will significantly alter the public's attitude towards the company, but if it can expand the audience for the arts, it will be happy enough.

The nail biting starts soon for the RSC, as its agreement with its biggest sponsor, Royal Insurance, which is worth £2.1m over three years, approaches its natural end in 1993. Will the Royal renew? It has already done so once, and in the fickle world of arts sponsorship - made even more fickle by the recession - a six year commitment is regarded as par for the course.

But the Royal has done well out of the sponsorship, which has made its chairman, Ian Rushion, the spokesman for corporate sponsors everywhere. Last week the Royal contributed another £20,000. It is paying for 15 "signed" performances by the RSC which will enable deaf theatre lovers to follow the show. It is also supplying an audio descriptive system to the Barbican which gives a running commentary and enables the partially sighted to enjoy the theatre that much more.

This extra help does not mean that the Royal will sign up for another three years. Most likely it will support the Company into 1994, giving it time to find another big backer. Despite the recession, the RSC has been successful in attracting sponsors this year.

Unliver is supporting the Company for the first time, putting almost £50,000 behind the Kenneth Branagh *Hamlet*, which opens at the Barbican in December. Meanwhile, two performances of the acclaimed *Two Gentlemen of Verona* which arrives at the Barbican in October are being sponsored by the Royal Mail, and one by AT&T.

Since 1987 Digital, the computer company, has been the main sponsor of the European Community Youth Orchestra, investing £2.5m in what has become the finest, perhaps only, example of the EC member countries working in complete harmony. Digital used the ECYO to ease its way into Russia last December, and is currently supporting it on a major European tour.

But after 1993 Digital will be looking elsewhere for a sponsorship vehicle. This offers opportunities for the multinational to pick up the baton and become associated with the best possible ambassadors in Europe, and for an arts organisation, probably in visual arts, to attract the support of a leading sponsor of the arts.

The Scottish Chamber Orchestra, which received £100,000 as the winner of the Prudential Award for the Arts, is devoting the money to two projects - a specially commissioned music theatre work by James MacMillan, *Visitation Sequence*, yet another modern composition inspired by medieval religious drama, to be presented at Glasgow's Tramway next May, and the revival of a "Sang School" in the border village of Strickbridge in October.

INTERNATIONAL ARTS GUIDE

BRUSSELS

Monnaie 20.00 Mozart Concert Arias: new work by experimental Belgian choreographer Anne Teresa De Keersmaeker, danced by her own Rosas company. Repeated tomorrow. Sun in Palais des Beaux Arts: Antonio Pappano conducts the Orchestra of the Monnaie in works by Mozart, Berg and Richard Strauss (219 6341)

COPENHAGEN

TIVOLI CONCERT HALL. Alvin Ailey American Dance Theatre opens a week-long engagement tonight at 19.30. Sep 11: Lucia Popp is soloist in a concert with the Tivoli Symphony Orchestra (8315 1012)

FRANKFURT

This week's Frankfurt Festival events at the Alte Oper include a series of John Cage programmes, a concert by the Dresden Staatskapelle under Shipol tomorrow, a programme

of modern Russian music performed by the Deutsche Kammerphilharmonie on Thurs and a Cracow Philharmonic concert of Penderecki works on Sun. The festival runs till Sep 11, and includes a visit next week by the Bolshoy Orchestra (1340 400)

The Opernhaus has concerts by the Israel Chamber Orchestra tonight and tomorrow at 20.00, with works by Vivaldi, Haydn, Mendelssohn, Shostakovich and others. Fri and Sat: BatSheva Dance Company in works by Chad Naharin. Sep 17-20: Merce Cunningham Dance Company. Sep 27: start of 1992-3 Frankfurt Opera season (236081)

Passion Play, a comedy by Peter Nichols, opens on Sep 12 at Frankfurt's English Theatre (Kaiserstrasse 52, 2423 1620)

Neville Marriner conducts the Academy of St Martin in the Fields in tonight's all-Mendelssohn concert in the Musiktheater. Tomorrow: Gerd Albrecht conducts works by Glazunov, Shostakovich and Mendelssohn. Thurs: Albrecht conducts a concert performance of Schumann's opera *Genoveva*. Jürg Wyttenbach directs a special Scelcioli concert on Sun morning (247747)

The new season at the Staatsoper begins on Sep 16 with a revival of Simon Boccanegra, followed by Der Rosenkavalier on Sep 20. The first new production of the season is Die

Walküre on Oct 25 (351721) ● Arthur Miller's *The Crucible* runs till next Mon (except Fri) at the Markthalle (339491). Peter Zadek's Berlin production of *The Blue Angel*, starring Ute Lemper, 1, and includes a visit next week by the Schauspielhaus on Sep 12 (248713)

HELSINKI

HELINSINKI FESTIVAL Tomorrow's concert performance of *Die Frau ohne Schatten* in Finlandia Hall is conducted by Leif Segerstam. Walton's *Glorious songs Schubert's Winterreise* on Thurs in the Sibelius Academy. Paul McCartney's Liverpool Oratorio receives its first performance in Scandinavia on Fri, at the Johannes Church. Sat: concerts by Emerson Quartet and Kalichstein Trio. Sun: Kalichstein Trio gives world premiere of new piano trio by Arvo Pärt. This is the closing concert of this year's festival (644466)

LUCERNE

LUCERNE FESTIVAL Tonight's concert in the Kunsthau is the final of the Street Music Competition, to be judged by an international jury of musicians including Paul Sacher. Tomorrow in Franziskanerkirche: Jordi Savall directs Hesperion XX in a programme of music from the time of Columbus. Thurs: Peter Schreier conducts Haydn's *Creation*. Fri: Peter Maxwell Davies conducts the Scottish

Chamber Orchestra. Sat evening and Sun morning: Yuri Temirkanov conducts the St Petersburg Philharmonic. Sun evening: Sándor Végh conducts the Salzburg Camerata. The festival runs till Sep 9 (041-235272)

NEW YORK

JAZZ/CABARET Blue Note Jazz Club and Restaurant Drummer and composer Billy Cobham and his trio are in residence this week. In a double-bill with guitarists Larry Coryell and Vic Juris. Showtimes at 21.00 and 23.30, with a third show at 01.30 on Fri and Sat. Next week: Herbie Mann 40th Anniversary Reunion Band (131 West 3rd St, 475 8592) Michael's Pub Singer and pianist Jo Thompson is in the midst of his first New York engagement for more than 30 years. Tues to Sat at 21.15 and 23.15. Woody Allen is usually found playing Dixieland here every Mon (211 East 55th St, 758 2272)

Rainbow and Stars Kaye Ballard heads a distinguished cast in a well-rehearsed Irving Berlin revue entitled *Say It with Music*. Shows from 21.00. Dining. Closed Mon (30 Rockefeller Plaza, 632 5000) Fat Tuesday's Pianist Ahmad Jamal begins an engagement tonight in what is considered one of the city's top jazz spots. Music from 20.00. Dining (190 Third Ave, 533 7902) Club 53 A new cabaret in the New York Hilton. Shows begin at 20.45, with an extra show on

Fri and Sat at 22.30 (Sixth Ave at 53rd St, 261 5853)

UTRECHT

Vredenburg 19.00 Jordi Savall directs Hesperion XX in music by composers of Spain's Golden Age. Thurs: Edo de Waart conducts Mahler's Third Symphony (314544)

VIENNA

MUSIC ● Tonight's performance of *Carmen* at the Staatsoper is the opening night of the season, with a cast led by Plácido Domingo and Agnes Baltsa (repeated on Sat). Tomorrow: *Il barbiere di Siviglia*. Thurs: Tosca. Fri: *Ariadne auf Naxos*. Sun: *L'elisir d'amore* (51444 2960) ● The Volksoper repertoire includes Johann Strauss' *Eine Nacht in Venedig* on Thurs, Die Fledermaus on Sat and a Zemlinsky opera double-bill on Sun (51444 3318)

● The Schlosstheater at Schönbrunn has daily performances of two lesser known Mozart operas staged by Neue Oper Austria: *La finta giardiniera* (tonight) is in repertory with Ascania in Albi till Sep 13 (624566) ● The Nash Ensemble gives concerts at the Minoritenkirche on Sat and next Mon, with music by Beethoven, Berg, Britten, Simon Holt and others (8252 0811)

THEATRE ● The world premiere of Elisabeth, a new musical about

the wife of Emperor Franz Joseph, takes place at the Theater an der Wien on Thurs. The music is by Sylvester Levay and the production by Harry Kupfer. Daily except Wed (599 7719)

● A new production of Eugene O'Neill's 1943 play *A Moon for the Misbegotten* opens next Mon at Vienna's English Theatre, Josefsgasse 12 (402 1260). This week's repertory at the Burgtheater and Akademietheater includes Dürrenmatt's *The Visit*, Shakespeare's *Macbeth*, Goethe's *Clavigo* and Sean O'Casey's *The End of the Beginning* (51444 2218) ● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

WASHINGTON

Kennedy Center Opera House Aspects of Love, Andrew Lloyd Webber's romantic musical. Daily except Mon till Sep 27 (467 4600) Filene Center at Wolf Trap Andrew Lloyd Webber's musical *Evita*, daily till Sun. Next Tues: BB King, Dr John and Buddy Guy (703-218 6500) Signature Theater Assassins, musical by Stephen Sondheim. Till Oct 3 (703-685 4331) Blues Alley Jazz Supperclub Tonight's guest artist is James Lloyd, keyboards. Tomorrow: vocalist Ellen Gross. Thurs to Sun: Mose Allison, piano/vocals (1073 Wisconsin Ave, in the alley, 337 4141)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY CNN 2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Chris Perry and Colin Chapman

Super Channel 0630-0650 (Mon) FT East Europe Report - weekly in-depth analysis from FTV 2130-2200 (Tues) Media Europe - what's new in European media business 2130-2200 (Wed) FT Business Weekly - global business report with James Ballin 0630-0650 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report 0630-0650 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0630-0650 (Fri) FT Business Weekly

SATURDAY

CNN 0600-0630 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel 1930-2000 FT Eastern Europe Report

SUNDAY

CNN 1030-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly

Sky News 1200-1400, 2300-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday September 1 1992

The case for action

THE London conference on the former Yugoslavia had one overriding purpose: to find ways of bringing peace to Bosnia and stability to the Balkans without the use of external forces. Ultimately, this may prove to be impossible. But it is up to the United Nations and the European Community to implement all its conclusions with the utmost sense of urgency. The conference agreed on four documents which will try to start implementing in Geneva later this week. But if the documents are to have any meaning, time is of the essence - as confirmed by the Serb bombardment of Sarajevo at the weekend.

First, the UN Security Council must quickly amend the mandate of the UN forces in Bosnia. All humanitarian aid convoys must be accompanied by armoured personnel carriers, and protected by troops committed by Canada, France, Spain and the UK. These convoys must be ready to move in and keep the aid rolling when the Serbs lift their sieges of Bosnia's towns.

If there is any time lag, the Bosnian government forces will, understandably, try to regain territory seized by the Serbs. This will encourage the Serbs to continue the war. Backed by a military machine from Serbia proper, they are in a position to do so.

The UN must also be ready to place all Serb artillery and heavy weaponry under its control. There is no point in believing that Mr Radovan Karadzic, head of the Bosnian Serbs, will order his forces to give up their weapons.

College for all

A RECORD number of students will embark on higher education courses in the UK in a few weeks. About one in five 18-year-olds is about to set off to college or university, and the proportion is set to rise to one in three by the year 2000.

Increasing access to higher education is a laudable goal, provided standards are safeguarded. It is not, however, in the best interests of the productive economy that so much of the current growth should be concentrated in the humanities and social sciences. The fault there lies in the schools, as evidenced by a continuing decline in maths and science at GCSE and A-level.

Whatever form it takes, expansion raises two important policy issues as yet barely addressed by the government. What quality of higher education should students have a right to expect? And how is it to be financed?

So far, the government has done little beyond setting targets for expansion and allowing polytechnics to call themselves universities. Targets without resources cannot impress anyone. As for nomenclature, if allowing a London polytechnic to call itself the University of Westminster silences the Oxbridge snobs, all well and good. But the acute overcrowding to be found in many of the former polytechnics will not be reduced by changing their letter heads.

A number of fairly painless reforms could ease the burden. The government should accept the

without international monitors on the ground.

The UN should commit itself to a specific timetable as to when these monitors will be sent, how the flow of reinforcements from Serbia into Bosnia can be stemmed, when the ban on all military flights over the republic will be implemented, and when tougher sanctions will be imposed on Serbia. A lax timetable, or none at all, would be a recipe for failure.

Banning military flights should be coupled with placing all military aircraft in Bosnia under international control. In Geneva, there must be moves towards reining in Serbia's own military machine. If this is not done, there is no reason to doubt that Serbia will use its aircraft and tanks against the ethnic Albanians in the southern province of Kosovo.

Were that to happen, then Macedonia, whose independence has still to be recognised by the EC, will be dragged into the war: its own ethnic Albanian minority will defend their *confines* in Kosovo. Since the UN and EC are not prepared to arm the Moslems or back the documents with force, this form of containment is essential.

The UN and EC must then draw up a financial package to provide shelter for the tens of thousands of Bosnians whose homes have been destroyed by the Serbs. There is also a need to create safe havens within Bosnia. Without action now, the London Conference will have failed to stop the war, and failed to stop it from spreading.

Recommendations of the Pearce Report, and give higher education institutions greater freedom to borrow against their assets. It should also encourage universities to move towards semesters to increase their productivity, and be ruthless about concentrating research funding only on those institutions with strong research records.

However, it also needs to contemplate several more painful reforms. First, if student maintenance is means-tested and, increasingly, provided in the form of loans rather than grants, why not students' tuition fees also? Most students benefit enormously in terms of earning power from their degrees: with public spending constrained, there is no reason in equity why those capable of doing so should not repay at least part of the cost of their courses.

Second, the government should consider ending subsidies for students who wish to study away from home. There is a lot to be said for young people going away to college, but not much for the state paying large sums for them to do so. Perhaps student housing should only be built on a fully commercial basis.

The government's job is to see that quality is maintained. The biggest contributions it can make to that are to keep class sizes small, and to ensure that academic pay is high enough to attract the ablest graduates into university teaching and research. At present it is failing to do either.

Japanese action

THE POWER struggle within Japan's government has been resolved, at least for the moment. And for once the strongest has not emerged victorious. The unexpected large fiscal package of direct public spending increases and tax relief confirms that the misgivings of the ministry of finance have been overridden. The malign inaction that has undermined market confidence over the past few months has gone. The financial markets are still celebrating. Only time will tell whether these celebrations are premature. But the realistic, as well as the pessimistic, investor will not yet have been convinced that Tokyo's bear market is over, despite a 25 per cent rise in share prices over the past fortnight.

It is not enough that the government is, and is seen to be, taking its responsibilities seriously at last. What counts is what the government can do to offset the risks that the economy faces. In fact, it can do very little.

The fiscal package, in so far as it involves direct increases in spending, will boost domestic demand while accelerating much needed public investment projects. Yet much of the stimulus from this fiscal boost will not arrive until next year. In the meantime, companies will continue to cut back on capital spending projects in the face of depressed profits and sluggish consumer demand. There remains much bad news for the markets to digest.

The sagacity of the various, and

often vague, rises to boost share prices and ease the plight of Japan's indebted banking industry are harder to judge. But the suspicion remains that many, particularly the new private corporations which will win land from troubled banks, provide means of concealing rather than solving the problems. Only if the government subsidises the purchase of this land will the scheme be any more than an accounting device to conceal the banks' losses from investors. But monetary policy provides a much better way for the government to support the banking industry than by artificially holding up land prices.

Neither fiscal nor monetary policy can prevent a long and painful work-out from the debt-overhang facing Japan, and the US and UK too. But easing policy can make this process quicker and less painful than it would otherwise be. Neither the US nor the UK have the fiscal room for manoeuvre to justify anything more than a modest increase in spending without storing up debt problems of a different sort for the future. The UK has to live with very high interest rates too.

Japan's advantage is that it has both policy options at its disposal. The government prevaricated too long before acting to ease fiscal policy, undermining market confidence in the process. But the Bank of Japan can learn from this mistake. It still has room to cut short-term interest rates. It should do so now rather than wait.

Tokyo's financial mandarins have finally opened their eyes to the gathering economic woes in Japan. And they don't like what they see. After months in which they had appeared blind to the threat posed by falling share prices and an increasingly dismal stream of economic news, the government has acted to halt the deepening crisis in the domestic financial markets. At least for the time being.

The government's overall ¥10,700bn (¥43bn) fiscal package - announced last Friday - will increase public spending by an amount equivalent to building five Channel tunnels and extending London's Jubilee underground line with the spare change. Salomon Brothers Asia, an investment bank, estimates that the programme will add ¥7,600bn to aggregate demand, and boost gross national product by 1.65 per cent, mainly next year.

At the same time, the ministry of finance's recent support measures for the troubled banking industry appears to have halted this year's collapse in share prices. The Nikkei has risen by 25 per cent in less than two weeks on the back of investors' positive response to the government's willingness to ease pressure on the heavily-indebted financial sector.

Yet the combined package of fiscal and financial measures will do little to ease the squeeze felt by many manufacturing companies that have been among the worst hit by the deepening domestic economic downturn. The recent rally in Japanese share prices may not last. Only when a recovery in corporate profits finally arrives will the dangers of a further collapse in share prices be over.

A series of poor corporate results last Friday highlighted the continuing risks facing the economy. On the evening that the government approved the spending package and outlined emergency measures for the financial markets, Nissan Motor, Japan's second biggest vehicle maker, warned of losses for the year totalling ¥20bn, a further 17 per cent cut in capital spending, and plans to shed 4,000 jobs over the next three years.

And Nissan was not the only big Japanese company to announce downwardly revised profits forecasts. Similar announcements were made by computer company NEC and consumer electronics group Toshiba. Komatsu, the heavy equipment maker, retailer Mitsubishi, Kyocera, the electronic equipment products, and a string of other companies yesterday. Much of the rest of Japan Inc. is likely to follow suit in the weeks ahead.

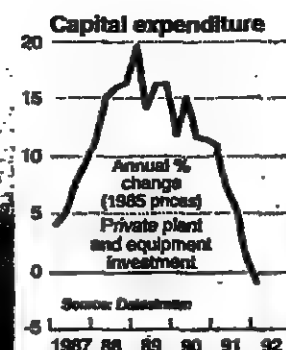
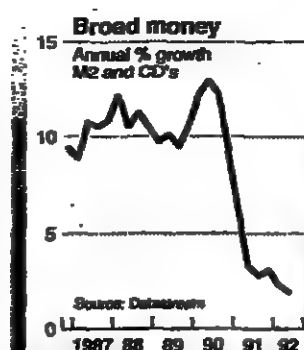
These grim corporate developments are the result of the wrenching boom-bust cycle that companies, as well as financial markets, have experienced over the past five years. The years of cheap finance that artificially boosted land and property prices and encouraged an unprecedented acceleration of corporate investment are no more. The fallout from this readjustment promises to produce plenty more bad news in the months ahead.

The problems of both the banking and the corporate sectors have their roots in the period during the mid-to late-1980s, when Japan came under enormous international pressure to cut its huge trade surplus by expanding domestic demand. Following the 1987 Louvre agreement to stabilise the fall of the dollar, the Bank of Japan was required to keep interest rates low so as to stimulate the economy and boost imports.

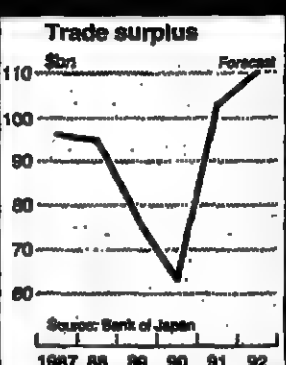
The consequences for the finan-

Japan's corporate sector faces tough times ahead despite the government's fiscal package, writes Steven Butler

Little cause for comfort



Japan's economy: Storm clouds gather



cial sector were turbulent. Low interest rates and financial deregulation inflated the financial markets as property prices and share prices soared and bank lending grew at an unsustainable rate. As inflationary pressures grew, the Bank of Japan eventually raised interest rates in 1989, prickling the economic bubble and leading to a decline in stock prices and collapse of the property market in 1990. The banks remain burdened by bad debt as property prices continue to fall.

What Japan's economic bureaucrats have consistently failed to appreciate is the extent to which the boom years also distorted investment and consumption patterns. Company investments grew sharply as money was cheap to borrow; the rise in share prices also reduced the cost of equity capital to very low levels by international standards.

Growth in private capital equipment investment reached a peak at 16.6 per cent in 1989, and continued rising at a brisk pace of 12.4 per cent in 1990. Nissan, not atypical of manufacturing companies, tripled capital investment to ¥318.5bn in the three years to 1990, taking advantage of market conditions to renew production facilities.

Manufacturers were also encouraged to invest by a brisk rise in consumption, which was in turn supported by the tight labour market. Japanese companies had

responded to a blaze of publicity about domestic structural labour shortages by taking on more workers. For employees, the high level of job vacancies reduced the already low risk of redundancy, encouraging them to spend more, mostly on expensive durable goods. Passenger car registrations, for example, rose by 13.2 per cent in 1988 and 12.6 per cent in 1989.

The net result was a rise in investment that quickly became unsustainable once interest rates rose, share prices fell and domestic demand began to slow. Companies brought new facilities on stream only to discover that demand had disappeared. Inventories began to pile up, even as production was cut. Capital spending plans began to cut deeply into corporate profits at a time when depreciation charges on previous investments were already rising to a peak.

What was a powerful cyclical rise, has turned into an equally powerful cyclical retreat. Companies have responded by cutting investment, reducing bonus payments, curbing overtime and temporary employment, freezing hiring, and even in some cases reducing overall staff numbers through natural wastage. With employment now less secure than before, household consumption began to slow in the second quarter of this year.

Yet, in spite of the accumulating evidence pointing to the economy's slow down over the past year, it is only now that the ministry of finance has accepted that the private sector's plea for government action amount to more than just special pleading. Why has the ministry been so slow to respond? Mr Masaru Yoshitomi, economist at the Economic Planning Agency, said that the government misjudged the severity of the downturn because some vital indicators on which it kept a particularly close eye, such as plant utilisation, had only been declining early in the year to levels seen in the late-1980s, prior to the upturn.

Finance ministry officials continually pointed to other indicators, such as employment and bankruptcies, which showed the economy bearing up much more so than in the 1973 and 1979 downturns following the oil price rise. Financial indicators - falling stock and land prices, and the record slow growth in the broad money supply - all suggested that things were much worse, but were ignored.

Most important, the ministry of finance has remained stubbornly unwilling until the past few weeks to reverse its policy of reducing government debt and agree to anything more than a cosmetic fiscal boost. The Bank of Japan has been cutting interest rates since July of last year. But low interest rates alone

would probably not have been enough to encourage the economy to pick up. Certainly the US has found that recession accompanied by asset deflation has proved extremely difficult to turn around by monetary policy means alone.

And, in spite of the ministry's qualms, Japan benefits from being able to use fiscal policy instruments on a much larger scale than the deficit-constrained US. Japan's ratio of net state debt to GNP is a modest 7 per cent compared to 36 per cent in the US. But more important, the Organisation for Economic Co-operation and Development has forecast that Japan will register a surplus of 1.9 per cent this year compared to a US deficit of 3.8 per cent. Tokyo can therefore afford a spending package of a magnitude denied in Washington.

What has prompted the Japanese government to finally act has been the recent plunge in consumer spending, downward forecasts of corporate profits and the accompanying plunge in share prices. Government economists had consistently maintained that the strength of consumer spending would sustain the economy.

The government's response has been a typical Japanese-style package of fiscal measures. Its package is designed to boost domestic demand and partly offset the fall in private consumption and capital spending that threatens to push growth to below 2 per cent this year. Economists in Tokyo estimate that the increase in central and local government spending on public works outlined in the package - totalling about ¥5,000bn - will boost growth by between 0.5 per cent and 0.7 per cent this fiscal year. The money will be used to build roads, houses, airports, railways, and even schools, many of which are badly needed in Japan.

The actual boost to the economy, however, will be much smaller than the ¥10,700bn - 2.3 per cent of GNP - total package expenditure suggests. Spending from the postal saving system - one of the government's most important sources of domestic finance - for example, involves only a redirecting of money towards special lending programmes, such as low interest loans for small business, not new money. Several thousand billion yen which will go towards the purchase of land will not make a direct contribution to growth.

The government hopes that the package will boost the economy by 2.4 per cent in the 13 months from October, when a supplementary budget will be enacted to raise the finance to pay for the measures. Yet the spending programme offers nothing in the short-run for Japan's most famous and internationally successful industries - its car and electronics companies. Nissan, Toyota, Honda and Japan's eight other vehicle makers all have overcapacity that needs to be chopped ruthlessly.

These companies, and hundreds of their suppliers will remain under pressure to cut investment and wages and reduce employment in the months ahead. Mr Paul Summerville, economist at Jardine Fleming, expects 500,000 manufacturing jobs to be slashed in the next 12 months. Even if employment increases in other sectors of the economy, as the spending programme takes effect, the difficulties in the manufacturing sector will continue to send shivers down the spines of consumers, government officials and the stock market.

PERSONAL VIEW

France to the rescue

By David Hale



When the financial history of the 20th century is written, French and British disagreements about how to manage the Germans are likely to rank high on the list of factors which contributed to international monetary crises.

During the inter-war years, France was so determined to inhibit German recovery that it used the threat of gold withdrawals from London to discourage Britain from reducing Germany's war reparations burden. As Britain's balance of payments was already under strain, because of the decision to return to the gold standard at an overvalued exchange rate in 1925, such French monetary mischief forced Britain to keep interest rates at unduly high levels and thus contributed to the economic crisis which culminated in the abandonment of the gold standard during September 1931.

As a result of the forthcoming referendum on the Maastricht treaty, France is poised once again to have a profound impact on the conduct of British economic policy. But in contrast to the deflationary bias of French policy during the early 1930s, the Maastricht referendum provides France with an opportunity to break the exchange rate mechanism's monetary gridlock, which is now strangling the British economy and retarding growth elsewhere in Europe.

If France votes against the Maastricht treaty, there would be so much turmoil in the currency markets that German governments would have a politically convenient excuse to accept the ERM realignment that should have occurred at the time of German unification. Such a realignment would then set the stage for a significant decline in the level of interest rates throughout Europe.

As in the inter-war years, French relations with Germany have played a big part in creating the current European economic crisis. The French political elite has been among the strongest advocates of European monetary union, because it views this as additional reinforcement

ment for creating strong European federal institutions to control unified Germany.

But while such attitudes are historically understandable, they have encouraged France to adopt a policy towards exchange rate realignment that has crippled the process of economic adjustment in Europe. As a result of France's opposition to any form of comprehensive D-Mark realignment, Europe's exchange rate target zones have increasingly become a political totem promoting competitive deflation rather than a clearing price for goods and capital maximising European trade and output.

The fact is that Germany has needed far more exchange rate flexibility since 1989 than the ERM permitted. Since unification, the government deficit has expanded from barely 1 per cent of gross national product to about 7 per cent and the large pre-1989 current account surplus has disappeared. Germany has been reliving the Reagan fiscal experiment under the constraint of a semi-fixed exchange rate system despite the need for significant real exchange rate appreciation to reallocate resources from its tradable goods sector to government consumption.

In countries with weaker central banks than Germany's, such an adjustment in the real exchange rate would have occurred through higher inflation. But because of the Bundesbank's determination to contain inflation, Germany has experienced a large rise in real interest rates, not the real exchange rate. The D-Mark's real exchange rate has risen by only 5 per cent since 1989 compared with more than 30 per cent for the dollar during the early Reagan years.

The British government was aware of the financial strains created by German unification when it

UK INTEREST RATES				
Before and after the fall of the Gold Standard				
Date	Bank rate		Average	
	Low	High	Low	High
1930	3.0	3.0	3.41	
1931	2.5	5.0	4.13	
1932	2.0	5.0	3.01	
1933	2.0	5.0	2.0	
1934	2.0	2.0	2.0	
Bank yields				
	Low	High	Average	
1930	4.22	4.74	4.46	
1931	4.11	5.05	4.53	
1932	3.18	4.80	3.76	
1933	3.34	3.58	3.36	
1934	2.95	3.35	3.08	

Source: Sidney Homer, *The History of Interest Rates*

joined the ERM, but it clearly underestimated the economic trade-offs they would pose compared with the perceived political benefits of being an ERM member. The results of this error are clearly apparent. The level of real interest rates is approaching 7 per cent despite the most protracted recession since the 1930s, the bankruptcy of thousands of entrepreneurial companies launched in the Thatcher years, severe real estate deflation, and a rapidly growing stock of non-performing bank loans. Britain's current account deficit is also at such high levels that the country will soon be an external debtor, despite the large accumulation of overseas assets which followed the North Sea oil boom of the early 1980s.

The deflation occurring in the British economy will ultimately create the preconditions for improved competitiveness and economic recovery, but probably not until the second half of the 1990s. As a result, the UK government deficit is likely

to rise to 6 to 7 per cent of gross domestic product this year and remain there for much longer than official forecasters now recognise, despite the Maastricht requirement that public sector deficits converge towards 3 per cent of GNP during the mid-1990s.

Britain's forced convergence with German fiscal policy will help to compensate for the weakness occurring in private investment, but these large new budget deficits will be far less stimulative than the interest rate decline and currency depreciation which offset the much maligned Thatcher tax increases of 1981. The fact is that British household and corporate balance sheets differ so profoundly from Germany's that the UK cannot escape from recession until interest rates fall sharply. Such a decline will not occur until Germany also experiences a slump or the ERM is realigned.

The problem for the British government is finding a face-saving way of correcting its 1980 error. The government has invested so much political capital in the ERM that it would be impossible for it to pursue a unilateral realignment without the resignation of the chancellor. But if France votes No, the UK government will have the perfect excuse to promote the realignment of European exchange rates which the Bundesbank itself advocated more than two years ago.

How would the financial markets react to such a development? Perhaps the most instructive guide is how they reacted to Britain's decision to abandon the gold standard in 1931. As the gold standard had been the dominant monetary regime for several decades previously, the psychological trauma associated with the decision to abandon gold greatly exceeded the trauma which would follow a deci-

sion to realign the ERM.

The authorities themselves were so apprehensive about the risk of a financial panic that they closed the London stock market for two days, but when it reopened share prices immediately rallied in expectation of an improved economy. The bond market fell initially because of concern about the threat of inflation but shortly thereafter it entered a multi-year bull market. After peaking at 5 per cent in 1931, UK government bond yields fell steadily to 3.06 per cent in 1934. Short-term interest rates also fell from 6 per cent to 2 per cent.

There is little reason to doubt that an ERM realignment would produce a sustained rally in British equity prices. The outlook for the currency and bond market would depend upon the ability of the UK government to produce a multi-year strategy for promoting economic recovery without reviving inflation. Such a programme would probably have to include a more independent Bank of England in order to ensure that monetary policy did not remain excessively stimulative after economic recovery began.

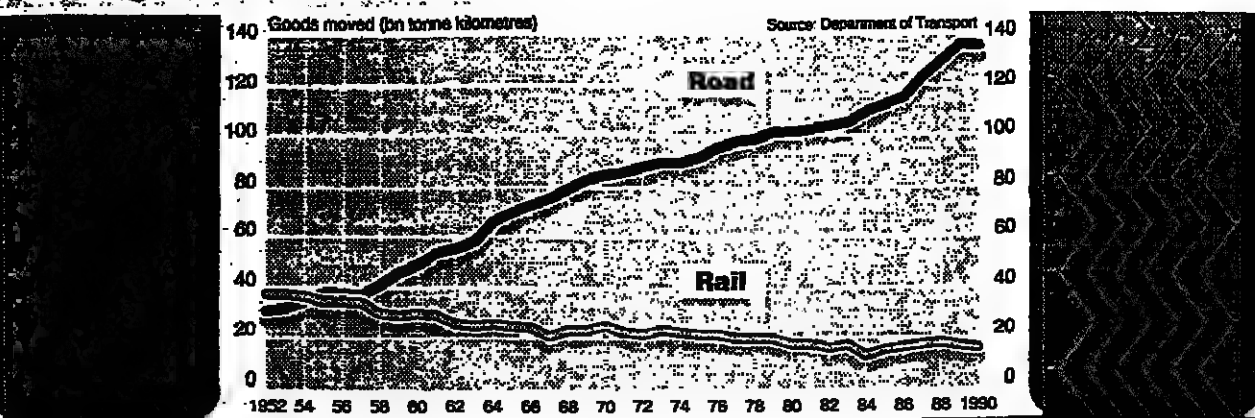
It also would be easier to revive the movement towards European monetary union later in the 1990s if the leading players had exchange rates and interest rates consistent with steady non-inflationary growth, not the disequilibrium and depression which have resulted from the impact of German unification on the current system.

As a result of the previous tensions between Britain and France over the issues of Europe and international monetary relations, there is rich irony in the fact that Britain may now depend upon a popular referendum in France to correct the ERM policy error which has produced the current slump.

But the Maastricht vote will not be the first time that France has helped to inspire a benign change in Britain's monetary regime. After all, the Westminster parliament created the Bank of England during 1694 in order to finance a war with France.

The author is chief economist of Kemper Financial Companies of Chicago.

Rail freight knocked off track



How freight hopes have finally been derailed

The collapse of Charterrail last week calls into question the future of railfreight in the UK, writes Richard Tomkins

Last November Mr Malcolm Riffkind, then transport secretary, visited a pioneering railfreight operation called Charterrail and declared: "I have seen the future and it works."

Unfortunately, he was wrong. It doesn't. Charterrail, hailed by a succession of transport ministers as a revolutionary means of getting freight back onto the railways, last week called in the liquidators. The question left in the wake of its collapse is whether rail has any future as a means of carrying freight in Britain.

One reason why the question deserves an answer is that there is a near-universal desire to see freight switched from road to rail. Lorries are noisy, smelly and unsightly; they clog up the roads and frighten other road users; and the goods they carry could often be transported by rail at much lower cost to the environment.

For more than a century, between the demise of the canals and the rise of motor transport, rail dominated freight transport. Even the smallest rural town on the rail network had its goods shed or siding. Freight going from one town to another would be loaded into a rail wagon and hauled to a marshalling yard, where it would be assembled into a train with other wagons going in the same direction and eventually delivered to its destination.

The trouble with this kind of operation was that it consumed vast resources. A locomotive and crew were required to get the wagon from the town to the marshalling yard, and then to the destination. The average journey length is much shorter than this.

The revolution Charterrail offered was by introducing special road trailers that could be driven straight onto swivel-action rail wagons without the need for costly lifting equipment. The consequent reduction in handling costs should have made rail competitive over shorter distances.

Road transport, once it had got into its stride, was easily able to outstrip railfreight on both speed and price. All the

road transporter needed was a driver and a lorry to pick up the goods and take them directly to their destination. By 1955, road had replaced rail as the main means of inland goods transport. It has been widening the gap ever since.

Today, operating without the benefit of state subsidy, British Rail's loss-making freight operations have been pruned to the point where they play an almost insignificant role in the transport of goods. The few remaining areas where they still give road transport a run for its money are mainly in the point-to-point delivery of trainloads of goods going directly to a single destination: for example, coal going from coal mines to electricity power generating stations, or containerised goods going from ports to inland distribution centres.

Under growing environmental pressure, successive UK transport secretaries have

Operationally, Charterrail's services were a success. The experiment failed because Charterrail could not make the business pay in the face of cut-throat competition with road transport. The main reason for that, the company said, was that it relied on British Rail not just for the use of its railway tracks, but for the supply of locomotives and crew; and it could not afford the rates BR was charging for the total haulage package.

The failure of the Charterrail experiment paints a gloomy picture of the outlook for railfreight. The so-called intermodal transport service it offered was regarded as the best last hope for the revival of domestic railfreight in Britain. As a private company - albeit 25 per cent owned by British Rail - it was also held up as an example for other private sector freight operators to follow.

On the face of it, it might

seem that the prospects for operations like Charterrail's would improve after privatisation. Charterrail, after all, claimed that excessive charges by BR were to blame for its demise. In a privatised environment, the railways' new owners might prove more responsive to the market.

Unhappily, it will not quite work like that. Under the plans currently proposed, BR will remain owner of all Britain's railway tracks after privatisation. Even if freight train operators like Charterrail are able to supply their own locomotives and crew, they will still have to pay whatever BR asks for the use of its tracks; and these costs seem likely to go up rather than down.

This is because BR's present method of charging an extra train to run on its tracks is a somewhat arbitrary one based on the marginal extra costs it incurs as a result of the pres-

British Rail's pruned freight operations play an almost insignificant role in the transport of goods

expressed a desire to reverse railfreight's seemingly terminal decline. The difficulty is that most goods have to start and end their journey by road, which means incurring heavy handling costs at the start and end of the rail section of the journey. So great are those costs in relation to the total that they can only generally be justified over distances of around 200 miles or more, where rail's greater speed comes into play. In a country as small as Britain, the average journey length is much shorter than this.

The revolution Charterrail offered was by introducing special road trailers that could be driven straight onto swivel-action rail wagons without the need for costly lifting equipment. The consequent reduction in handling costs should have made rail competitive over shorter distances.

Unhappily, it will not quite work like that. Under the plans currently proposed, BR will remain owner of all Britain's railway tracks after privatisation. Even if freight train operators like Charterrail are able to supply their own locomotives and crew, they will still have to pay whatever BR asks for the use of its tracks; and these costs seem likely to go up rather than down.

This is because BR's present method of charging an extra train to run on its tracks is a somewhat arbitrary one based on the marginal extra costs it incurs as a result of the pres-

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Baccalaureate preferred to A-levels

From Mr Geoff Bush.
Sir, As the parent of a recent international baccalaureate student I think Andrew Adonis' contacts ("Not always a class act", August 21) dismiss the value, potential and the recognition of the IB too easily. The IB syllabus is wider and more up to date than A-levels. This is recognised by many parents wanting their children to be better equipped. The same is true of many universities, including Oxbridge, which value the wider and more rounded perspective of the IB student.

I asked the headmaster of an A-level public school why the IB option did not offer the IB school was given a surprisingly unenthusiastic answer: "Because there is only room for one IB school in Kent". If there is a problem with recognition of the IB it lies not with the parents or the universities. Rather, it lies with schools and the appalling low level of promotion by the IB authorities.

Geoff Bush,
9 Westville Road,
Surrey KT7 0UH

Selling Czechoslovak privatisation short

From Mr Wolfgang Lafite.
Sir, Before dismissing the progress made in Czechoslovakia (Leaders, "No free lunch", August 21) there are a number of matters you should consider.

Mass privatisation has been implemented this year against the background of economic stability and the rule of law. Reforms to this end have been effective but painful, with living standards dropping by more than 10 per cent. This is certainly no "free lunch".

Privatisation gained political acceptability through relentless promotion by domestic politicians, including its champion, Mr Vaclav Klaus. I agree that some promises made by fund managers to attract the vouchers of citizens cannot be met. This may well undermine the confidence of the population in fund managers, but not in the whole system of mass privatisation. Yet fund managers triggered the correct conviction among people that the vouchers represented value - albeit not as

great as some operators suggested. And some 8.5m citizens, almost 80 per cent of those eligible, participated.

It is true that most fund managers are not experienced - the fund managed by our group is the largest foreign operator, the sixth largest in the Czech Republic - and initial confusion was inevitable. But accountability of management to shareholders will increase, restructuring of companies by shareholders' syndicates involving foreign partners with cash and management expertise will occur, and a heavy dose of entrepreneurship is about to enter the system. A stock market is emerging, and we believe prevailing liberalism and low prices will attract investors. You may scoff at some companies on offer, but don't sell the whole system short.

Wolfgang Lafite,
managing director,
Creditanstalt Investment
Bank AG,
A-1011 Vienna,
Austria

End copier anti-dumping duties

From Mr Simon Holmes.
Sir, As a lawyer for a Japanese photocopier manufacturer accused of "dumping" in the EC, I would like to comment on your "Copier makers still fighting Japan" (August 25).

The Commission makes findings of dumping in situations which no independent observer, and few economists, would consider dumping. For example, in the original 1985 investigation, many Japanese companies' prices on the EC market were considerably higher than prices in Japan. Despite this, the Commission awarded my client a dumping margin of some 35 per cent.

The advantages of copiers made by Japanese owned companies flow from the efforts to improve production processes and reduce costs - which are passed on to users. Every industry has to remain innovative to be competitive, and anti-dumping measures are no substitute for competitive practice.

You rightly observe that "the most important question" is whether it is in the "Community's interest" to continue imposing duties on Japanese photocopiers. Rank Xerox, Océ and Olivetti/OCI now represent about a quarter of total EC production. If anti-dumping duties are imposed to enable them to increase their prices and profits, the rest of the industry (largely Japanese owned) will be able to follow suit. This means that, for a given benefit to the complainants, the burden on European users of photocopiers is magnified several times.

Sir Leon Brittan, the EC competition commissioner, said in November last year that anti-dumping duties in the original photocopier case cost EC consumers "over £400m a year, which is twice the value of the total production of the European companies which had sought protection".

The EC should now let the anti-dumping duties on copiers die a graceful death. Simon Holmes,
118 Avenue de Cortenberg,
B-1040 Brussels,
Belgium

Caribbean banana exports need British protection

From Mr Cowan Coventry and Ms Jenny Borden.
Sir, Your article, "Latin American banana producers attack EC quota plan" (August 20) ignores the critical importance of this issue for the economies and people of the eastern Caribbean.

Latin American banana producers have legitimate concerns about restrictions on their banana exports in the EC system. But the interests of Caribbean exporters in maintaining their preferences must not be overlooked. Dominica, for example, would stand to lose 70 per cent of export earnings and employment for half its workforce if, as the US and Latin American exporters insist, the existing system of preferences is withdrawn.

Britain has a special responsibility, both because it is the main protected market for Caribbean exporters and because it is president of the European Community. It should use this authority to protect the interests of Caribbean exporters. It should also press for aid to help Caribbean efforts at diversification out of banana production.

Trade preferences for Caribbean banana producers may conflict with the EC's obligations to the General Agreement on Tariffs and Trade (GATT). But surely this merely underlines the inadequacies of a treaty which places the principles of free trade above the interests of vulnerable communities?

Cowan Coventry,
area director,
Latin America
and the Caribbean,
Cazam,
Jenny Borden,
deputy director,
Christian Aid

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Cowan Coventry,
area director,
Latin America
and the Caribbean,
Cazam,
Jenny Borden,
deputy director,
Christian Aid

Insulting by numbers

From Mr Khalid Aziz.
Sir, Pakistan's dislike of the number 430 (Observer, August 24) is based not on any code describing swindlers but on Pakistan's criminal code, where the relevant clause is, indeed, number 430. About the worst you can say of a businessman is that he is a *chor sau bees aadmi* - a 430 man.

Perhaps, in view of the difficulties in the UK financial scene in recent years, one might be able to refer to relevant clauses from the Financial Services Act or other laws to describe dubious individuals one encountered.

Khalid Aziz,
chairman,
Aziz Corporation,
West Stratton,
Winchester SO21 3DR

Victims of slump in UK housing market need urgent help

From Mr Richard Hilken.
Sir, I am disappointed to hear the chorus of bank and building society chairmen calling for measures to stimulate the housing market. The problem with this market is that, in spite of the decline, it is still too stimulated. House prices are too high in relation to earnings. Too high a proportion of our capital is tied up in overvalued property, so preventing it from being used as security for other investments.

What we should be looking for is a way to protect the victims of the slump while allowing the fall in prices to continue and not encouraging more rises in earnings. Of the groups needing protection, occupiers seem to be attracting more sympathy - although their motives for over committing themselves may not have been different from those of the over-lenders. They should not now be rewarded for greed or protected from the consequences of folly.

The Rowntree Foundation's proposal of selective support for interest payments may provide one short-term solution; another may be to limit the freedom of mortgagors to evict those cases triggered by fraudulent behaviour rather than misfortune.

There would have to be matching protection for lenders. Here the issue is their solvency. It should not be impossible to devise a guarantee allowing these lenders to continue trading with part of their

portfolio frozen but secured by government. Such support should be linked to the relationship between house prices and earnings. The present situation in which revenue subsidies are spent annually to prop up house prices is unsustainable and, in the case of much mortgage interest tax relief, unjust. Richard Hilken,
chairman of trustees,
Quaker Housing Trust,
Friends House, Euston Road,
London NW1 2BJ

OBSERVER

A room with a message

■ Dan Pena is one American entrepreneur it is almost impossible to get rid of. Having been edged off the boards of two companies most executives could be forgiven for entertaining some self-doubt. But not 45-year-old Dan.

The former president and chief executive of Great Western Resources is making the most of his latest setback. "My entire life both personal and professional, has been built upon the crushed bones of those who continued to remind me, 'Dan, you can't do that,'" says Pena. No surprise then that Pena's latest venture is a series of "You Can't Do That" executive seminars in the academic serenity of his 325-year-old Scottish castle. The title will be especially meaningful to Pena's fellow visionaries who remember his tenure at GWR, where his expenses claims and company loans sparked a shareholder rebellion last year.

The week-long seminar will focus on "what they didn't teach you in graduate school and what you may not have encountered in the real world". Course work will range from a "few things every entrepreneur needs to know about financials" to "great advice metered out in the men's room".

The advice doesn't come cheap. For \$13,000 Pena can offer six nights in his Ghost Suite, complete with haunt. However, he's throwing in a black tie dinner with Angus's landed gentry. And in case clients doubt what Dan Pena thinks about Dan Pena, the mailing shot includes his memorable line, "I'm doing so well, if I were doing any better, I should be investigated."

Goode thinking?

■ Whatever happened to Professor Roy Goode's Pension Law review committee? It is nearly three months since the Government set

up the review in the wake of the Maxwell affair and not a peep has been heard out of it.

The committee was given 12 months to produce its report, although if the committee felt the changes should be initiated urgently, it would produce interim findings before publishing its formal report. At the end of June a consultation paper was promised "within a few weeks". But so far nothing has been heard of the good professor and his plans for conducting public hearings. It is a hideously complex subject with a lot of big, vested interests to be tackled, but it all seems to be taking a long time.

Time was when occupational pension scheme members meekly accepted what the trustees judged fit. However, the decision of some Lucas Industries' pensioners to sue the trustees of the company's 23rd pension fund, is yet another example of the growing restiveness about the role of pension fund trustees.

Wide

■ So three of central London's local authorities have finally got their act together and are planning to establish a joint promotion centre. Its brief: to sell the capital, especially to foreigners who want a phone number for "London".

Just one problem, the proposed location: New Zealand House. More fitting names on a postcard, please.

No rationing

■ The opening of the Non-Aligned Movement conference in Jakarta prompts recollections of an earlier event stage-managed by the Indonesians to commemorate the founding Bandung conference in 1955.

In 1955 several aging statesmen, who had attended the original conference, gathered again in the hills above Jakarta. Among them was a frail, but mentally alert delegate from Sri Lanka. He congratulated the Indonesian foreign minister on



the excellence of the reunion but had one minor quibble. "In 1955 you then President, Mr Sukarno, looked after our every need."

"Indeed?", said the Indonesian official. "Yes sir. He even supplied special coupon books by which we were able to, how shall I say, avail ourselves of the services of certain charming young ladies who were in attendance at the conference."

"And did you use the coupons?" asked the Indonesian.

The Sri Lankan gentleman extended his now bent frame to its maximum height. "Every last one sir!"

Quiet exit

■ Daniel Ludwig, who died last week at the grand old age of 96, was an unusual tycoon. In his heyday he was an even more important figure in the international shipping industry than Paul Getty or Armand Hammer were in the oil industry, and yet he never craved respectability like they did. He was in business to make money and seemingly couldn't care less what people thought of him.

He had been in the shipping industry longer than either the late Aristotle Onassis or Sir Y K Pao and led the development of the super-tankers. At its peak, Ludwig controlled a fleet of around 135m tonnes. However, unlike several of Europe's shipping families, such as the Cayzers, Niarcho's and Mollers, he seemed unable to protect his huge fortune by diversifying successfully away from shipping.

As a result there is a danger that he will be remembered more for ventures such as his ill-fated Amazonian dam project and investment in failed US thrills, than for his contribution to the development of world shipping.

Ludwig was more invisible than most billionaires. However, a few anecdotes survive. One of the more memorable concerns a ship which Ludwig had used as security for a bank loan and had gone missing in a hurricane. "How's my collateral?", a worried banker asked Ludwig. "When we find the goddamn thing I'll let you know," replied the tycoon.

The Hon thing

■ "My father has recently been made a life peer and I am wondering how I can best take advantage of my own status as 'The Hon'. I understand it is wrong for me to be addressed as 'The Hon' anywhere except on an envelope and I find this rather depressing. Can you advise me on how to exploit the title more fully," asks an anonymous reader of The Spectator in a letter to Mary Killeen, the magazine's agony aunt/etiquette referee.

Surely this can't be a potted question by The Spectator's young editor, Dominic Lawson, son of the newly ennobled Baron Lawson of Blaby.

Overdue

■ Definition of a lawyer: Someone who makes sure he gets what's coming to you.

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COMPANIES AND FINANCE

British Coal picks contenders to buy its smokeless fuel

By Roland Rudd

BRITISH Coal is discussing the sale of its smokeless fuel business, Coal Products, with two rival management buy-out groups and Anglo-United, owner of Coalite smokeless fuel.

BC yesterday said that while it would consider offers from all parties, it had narrowed down the main contenders to those three.

Coal Products made an operating profit of £2m for the year ended March 28. Last year it had a loss of £50m; it has not yet filed its separate accounts for this year.

However, the business is seen as having good potential to generate cash given BC's recent decision to close the loss-making Avenue Coke and Chemical plant near Chesterfield, which produces Sun-bright fuel for the domestic closed fire market.

The two rival MBOs are led by Mr Steve O'Donoghue, the former finance director, and Mr David Foster, the operations director.

While Mr O'Donoghue appears to have the backing of

the majority of Coal Products managers, the emergence of two rival MBOs could put the British Association of Colliery Management in a difficult position. It has been promised funds to help draw up an employee buy-out bid.

BC said it would back the bid which offered the "best value" for its business. At the moment it was inclined to sell Coal Products piecemeal.

While the struggle between two rival MBOs is believed to favour an outside buyer, Anglo's negative net asset value and debts of more than £200m has led some BC directors to question whether the company could afford to buy Coal Products.

Anglo remains confident of putting together an attractive financial package. If it acquired Coal Products it would be expected to close some of the plants.

Anglo currently produces about 400,000 tonnes of smokeless fuel for the open fire market. That is only about 50 per cent of its total capacity because it believes there is already too much capacity in the market.

Henlys confident of defeating Cowie bid

By Roland Rudd

HENLYS GROUP, the motor trader and bus and coach builder, yesterday said its main shareholders had not accepted the £32.1m hostile bid from T Cowie, the Sunderland-based motor dealer.

The offer, which closes at 1pm today, is expected to be close. Over the weekend Cowie said its acceptance had increased to 33.76 per cent.

After talking to its main shareholders, which include Guinness Mahon, Morgan Grenville Nominees, TSB Group and Standard Life Assurance Co, Henlys said it was confident of defeating Cowie's bid.

Mr Robert Wood, chief executive of Henlys, said: "Our feeling is that we expect the majority of the big institutions, which hold 80 per cent of the shares, to stay with us."

Cowie's bid has been helped by Mr David Matthews, former chairman and chief executive of Henlys who left the group last November. Mr Matthews is seen to buy Henlys' coach and bus business.

Mr Wood said the majority of shares under Cowie's control comprise those pledged by Mr Matthews and his associates - including Peter Cundill Associates, the Canadian investment trust - and the 9.9 per cent Cowie bought for cash in the market last week.

Knives come out in battle for Simpsons

The City watches as allegations fly across the restaurant table, reports Tim Burt

YOU smell Simpsons before you see it. At noon each day the aroma of grilled meat wafts on to Cornhill, reminding City dealers lunch is being served - much as it has been for the past 235 years.

The chop house, packed with pin-stripes, dishes up traditional food. But the owners Simpsons of Cornhill, have found an unappetising item on their plate - the prospect of a battle for control of the board.

Internal strife at companies boasting only four outlets - in this case Simpsons, the Jamaica Inn, Dell'Ugo and Pallo - does not normally arouse much interest in the City. But this fight has been given added spice by the characters involved and the assets at stake.

On one side of the table, the board is being defended by Mr Roy Ackerman, once deputy chairman of the Kennedy Brooks restaurant chain, and Mr Paul Reece, a former director of Midsummer Leisure. Rattling their knives on the other side, sits Mr Robert Klapp, former chairman of Select Appointments, and Mr Alan Crompton-Batt, an existing director on the four-man Simpsons board.

The protagonists are not fighting merely for two City taverns and a couple of west London restaurants; they are competing for control of a group in which they see enormous potential. Mr Ackerman, since then, according to Mr



Defending the board: Paul Reece (left) and Roy Ackerman

who turned the Kennedy Brooks chain into a group consumed by Forte for £173m, intends to repeat the performance with Simpsons. "I hope to have the best group of restaurants in the south east and London," he said.

His optimism is shared by Mr Reece, who helped develop the Pirkin pub group which fetched £5.7m in 1990.

The two culinary executives hosted Simpsons last August for £2m. Their aim was to develop a group of restaurants linked by traditional themes. They were backed by Mr Crompton-Batt, a former director of Wheelers seafood restaurants and a one-time inspector for Egon Ronay guides.

Since then, according to Mr

the shares, now hopes to oust the board at a second EGM. Mr Klapp has no illusions about Simpsons' prospects. "This could be a very important group, but this board is not fit to run it," he said.

Criticism of the company has stung the board into a robust defence. Dismissing the rebel campaign, Mr Ackerman claims they have no catering experience and no institutional support. Mr Reece, meanwhile, has accused the Klapp group of using offshore transactions to increase pressure on the board.

The rebels have drawn most of their support from stakes held by overseas companies. Mr Klapp's Spread Trustee company, registered in the Channel Islands, acquired a 20 per cent stake from entrepreneur Mr David Rowland. Mr Klapp sold on 10 per cent to Mountjoy, registered in the Turks and Caicos Islands, and is relying on another 8.5 per cent recently acquired by Capital Resources of Perth, Australia.

Mr Reece also suggested Mr Klapp, who stepped down from Select Appointments after the company lost £2.1m in 1990, could not manage the business successfully.

According to many regulars at Simpsons, however, both the board and the dissident group have misjudged the attitude of shareholders.

Brokers and dealers have not bought shares as a speculative investment in a growing company. Instead, they have taken a stake to preserve their favourite watering holes.

Mr John Fouracre, a foreign exchange dealer who has lunched at Simpsons for more than 30 years, said: "This is an unlikely investment prospect. People just want to stay the same; if it's trading successfully through the recession, then they're happy."

In this year's trading, the company has seen turnover grow from around £25,000 a week to more than £20,000. The share price has fallen from a post- flotation peak of 54p to close at 31p at the weekend.

But Mr Reece said: "We are still within our bank facilities and there are no significant lines of credit."

The board denies it is being over-acquisitive or profligate. "We are being prudent. We have looked at dozens of projects but we will only buy at the right time and the right price," said Mr Ackerman.

He hopes his cautious approach will curvy favour among shareholders at Simpsons. Watching diners enjoying chump chop followed by jam roly-poly last week, one member of staff commented: "This lot likes things the way they are. You'll never move them."

Boustead advances 6% despite Singapore fall

By Roland Rudd

BOUSTEAD, the industrial trading group recently acquired by Jack Chia-MPH, the Singapore-based trading company, has announced a 6 per cent rise in pre-tax profits for the first half of 1992.

Mr Jack Chia, the sponymous chairman, plans to use Boustead's London quote as the base from which to expand his group in Europe. He is currently making a mandatory offer for the minority in Bousteadco Singapore, the listed subsidiary.

Boustead's pre-tax profits rose from £1.04m to £1.1m on sales of £28.4m (£24.7m).

Several businesses in the UK showed profit increases while

market conditions in Singapore remained depressed. Profits at Bousteadco Singapore declined by 32 per cent, although they showed an improvement over the second half of 1991.

The overseas tax charge rose from £221,000 to £401,000 because, under Singapore law, Boustead could not offset losses between subsidiaries against tax.

There was an extraordinary loss of £348,000, being provisions covering the closure costs of overseas divisional activities after the profit on the disposal of Bousteadco's travel and shipping agency business.

Earnings per share and the interim dividend are unchanged at 0.7p and 0.35p respectively.

Stanelco makes \$80,000 profit

Over the 14 months ended February 28 1992, Stanelco made a pre-tax profit of \$80,000. That included seven months from the subsidiary Stanelco Products, maker of induction heating and welding equipment.

The group formerly traded as Merchant Manufacturing Estate Company, and was reorganised at the end of last year. In 1991 the old group incurred an operating loss of \$1.58m, to which was added exceptional charges of \$11.6m.

Earnings per share were 0.03p (48.88p).

IoM Steam drops 56%

IN THE first half of 1992, pre-tax profits of Isle of Man Steam Packet fell 56 per cent, from \$281,000 to \$260,000. Turnover rose 3 per cent to 11.3m.

Passenger traffic declined by some 5.8 per cent, said Mr David Dixon, managing director. However, the freight business held steady.

Although fares increased in line with inflation, the decline in passenger traffic held back the advance in sales.

Profits were depressed by a series of one-off factors, including £145,000 in redundancies and £265,000 in overhaul costs. Last year, those costs had been taken in the second half. Earnings per share were halved to 2.5p (4.8p). The interim dividend is again 3p.

Mr Norman Corlett, the chairman who led the fight against a hostile bid from the Bermuda-based Sea Containers, is retiring because of family illness. An announcement on his successor is expected shortly.

Mr Dixon said the situation remained uncertain with Sea Containers, which launched and then postponed a hostile £17.5m bid in 1990. "We think [they] are being jolly rotten in not saying anything. It has been very unsettling for management and staff," Sea Containers holds 41 per cent of Steam Packet.

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Consortium (Canada/US)	Continental Airlines (US)	Airlines	\$202m	Air Canada rescue move
Brierley Investments (New Zealand)	Gilbe Mew (UK)	Brewing & property	£11m	Hostile cash offer
BYR (UK)	Getogflex Metzeler (Brazil)	Rubber products	£10m	Another buy from Pirelli
INCC (UK)	Unit of Reynolds Cables (US)	Cables	£38m	Strategic expansion
C Itoh (Japan)	LJ Specialities (UK)	Dyestuffs	£1.5m	W Canning out debt
John Fluke (US)	Unit of Philips (Holland)	Electronic testing	n/a	Another Philips sale
Hilldown Holdings (UK)/Hil Heinz Co (US)	Kecskemeti Konzervgyar (Hungary)	Canning	n/a	Hilldown's 2nd Hungary JV
Management (International)	Inspectorate (International)	Trade inspection	n/a	MBO from Adia
ZF Friedrichshafen (Germany)	Allison Transmission (US)	Vehicle components	n/a	GM non-core disposal
Sterling Chemicals (US)	Canadian assets of Tenneco (US)	Pulp chemicals	£102m	Tenneco completes \$3bn restructuring

Source: FT Mergers & Acquisitions International

The Swire Group		
Cathay Pacific Airways Limited		
1992 Interim Results - Highlights		
Consolidated results - unaudited:		
	Six months ended 30 June	
	1992 US\$M	1991 US\$M
Turnover	1,420	1,282
Operating profit	201	174
Net finance charges	29	15
Net operating profit	172	159
Associated companies	19	10
Profit before taxation	187	169
Taxation	22	25
Profit after taxation	164	144
Minority interest	1	1
Profit attributable to shareholders	163	143
Dividend	39	39
Retained profit	124	104
Earnings per share	US\$5.76	US\$5.06
Interim dividend per share	US\$1.36	US\$1.36
	12 months ended 30/6/92	30/6/91
Available tonne kilometres (millions)	5,963	5,528
		+7.9%

Note: The results of the Company have been translated from Hong Kong dollars, its currency of account, into United States dollars at an exchange rate of HK\$7.751 = US\$1. The approximate rate of a change at 30th June 1992.

Prospects: The passenger revenue forecast for the full year suggests that the passenger load factor should exceed the 1991 level but there are concerns about yields caused by widespread fare wars. On the cargo front, Hong Kong revenue is expected to recover and there are encouraging signs for the new freighter service to Los Angeles.

On the cost side, inflation is still the prime concern. The persistently high rate of inflation in Hong Kong, compared with major economies, continues to erode the competitive advantages of Hong Kong. "Operation Better Shape", which was introduced in 1991 to improve productivity, continues to be the main focus to mitigate the effects of rising costs. Provided that there is no worsening of an already difficult operating environment, we are looking for improved results for the full year.

Interim Dividend: The interim dividend will be paid on 2nd October 1992 to shareholders registered at the close of business on 28th September 1992; the share register will be closed from 21st September 1992 to 28th September 1992, both dates inclusive.

P D A Sutch
Chairman

Hong Kong, 26th August 1992

CATHAY PACIFIC

ANNOUNCEMENTS	
THE MALAYSIA CAPITAL FUND LIMITED (THE "COMPANY")	
There is set out below, for the benefit of holders of bearer securities issued by or in respect of the Company or its shares, the text of two announcements issued on 27th August, 1992:	
"The result of the meeting of Shareholders of the Company held on 27th August 1992 was as follows:	
VOTES CAST ON A POLL	
For	Against
Special resolution 1 - the voluntary winding-up of the Company	5,283,500 (82.7%) 3,140,000 (37.3%)
Special resolution 2 - to enable the Company to become open-ended	5,228,500 (82.7%) 3,118,000 (37.3%)
A majority of at least two-thirds of the votes cast being required to pass a special resolution of the Company, neither special resolution put to the Extraordinary General Meeting was passed. As a result, the Company, its Shares and the Warrants will continue in existence as at present.	
The Board is meeting today to consider what steps it should take in the light of the results of today's meetings. A further announcement will be made after the conclusion of that board meeting."	
"Further to the announcement released earlier today, the Board has met to consider what steps it should take in the light of the results of today's Extraordinary General Meeting (at which neither Special Resolution was carried) and Meeting of Warrant Holders (at which the Extraordinary Resolution was by consent not put to the vote as it could not then have become effective). The Directors consider that it is unsatisfactory for uncertainty as to the Company's future to continue. They recognise that holders of a significant number of Shares have clearly indicated their desire to achieve greater liquidity for their investment and they believe that the most expeditious way of achieving this is by the Company becoming open-ended. The Directors will therefore convene a further Extraordinary General Meeting, and Meeting of Warrant Holders, each to be held as soon as practicable and in any event which are expected to be held by the end of September, to reconsider the Share Repurchase Proposal in substantially its present form. On the basis of the foregoing, once the appropriate resolutions are duly carried the open-ended proposal will be able to be implemented within its original timetable. If the Company becomes open-ended, a means will be provided for Shareholders wishing to realise their investment to do so, while those who prefer to maintain their exposure to the Malaysian equity market will have that alternative open to them.	
Having regard to the voting results at today's meeting and in order to maximise the probability of a definitive outcome, the Directors also consider it appropriate to put forward for consideration by Shareholders, at the same Extraordinary General Meeting, an alternative proposal for the voluntary winding-up of the Company on a basis which the Directors will feel able to support if the open-ended proposal does not become effective. This would involve the appointment of two representatives of the Company's auditors, Price Waterhouse, as joint liquidators. Such Special Resolution will be conditional on the open-ended proposal not becoming effective.	
The Directors regard the winding-up of the Company as the less desirable alternative but are of the opinion that every effort should be made to ensure that Shareholders are provided with the liquidity which they have indicated they require pursuant to one or other of the above proposals.	
A circular accompanied by the necessary notice of Extraordinary General Meeting and notice of Warrant Holders' Meeting will be issued as soon as practicable."	

SWEDEN

The FT proposes to publish this survey on November 10 1992. Should you be interested in acquiring more information about this survey or how to advertise please contact:

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FT SURVEYS

BusinessWeek

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NOTICE OF REDEMPTION

The City of Quebec
15,000,000 Canadian Dollars
10% Bonds due 1979 to 1994

In accordance with article Prepayment of the Terms and Conditions of the Bonds, notice is hereby given that the issuer will redeem all the Bonds remaining outstanding (i.e. Cdn\$ 1,924,000) at their principal amount on October 15, 1992.

Payment of interest due on October 15, 1992 and repayment of principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from October 15, 1992.

The Fiscal Agent

KPMG
Luxembourg, September 1, 1992

Banque Indosuez
U.S. \$200,000,000
Floating Rate Notes due 1997

For the three months 28th August, 1992 to 30th November, 1992 the Notes will carry an interest rate of 3.84375% per annum and coupon amount of U.S. \$100.36 per U.S. \$100,000 Note, and U.S. \$2,309.11 per U.S. \$250,000 Note.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

Crédit Commercial de France
U.S. \$250,000,000
Floating Rate Notes due 1994

For the six months 28th August, 1992 to 26th February, 1993 the Notes will carry an interest rate of 3.065% per annum with a coupon amount of U.S. \$185.29 per U.S. \$100,000 Note. The relevant interest payment date will be 26th February, 1993.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London Agent Bank

Republic of Venezuela
U.S. \$100,000,000
Floating Rate Notes Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 28th August, 1992 to 26th February, 1993 is 5.5625% p.a. The Coupon Amount payable on the 26th February, 1993 for notes of U.S. \$10,000 and U.S. \$100,000 is U.S. \$281.22 and U.S. \$2,812.15 respectively.

Bankers Trust Company, London Agent Bank

مركز ابحاث

COMPANIES AND FINANCE

Hafnia turns in loss of Dkr3.87bn in first half

By Hilary Barnes
in Copenhagen

HAFNIA HOLDING, the Danish insurer which suspended payments on August 20, yesterday announced a first-half loss of Dkr3.87bn (€688m) compared with a Dkr530m profit in the previous corresponding period.

The deficit was due primarily to a Dkr2.15bn loss on its shareholdings in Swedish insurer, Skandia, and Danish insurer, Baltica.

Negotiations are continuing with both companies to find ways of disposing of these holdings, the company said yesterday.

A fall in the value of other

securities caused a further loss of Dkr655m.

The holding company's assets were transferred in August to a new holding company, Hafnia Holding 1992, which left the debt in the former holding company, which is in the hands of the receivers.

"This construction gives Hafnia a much better chance of continuing its business than a traditional suspension of payments," the company said.

The model chosen enables the parent company to provide financial support to its subsidiaries.

This would not have been possible under a traditional suspension, said the group.

The new holding company

has equity capital of Dkr6.9bn.

High administrative costs and substantial loss provisions against engagements by Hafnia Marine & Industrial Insurance were additional factors in the first-half collapse.

Last week, the group announced the dismissal of 524 employees in Denmark, or about one-fifth of total staff in Denmark.

Reductions are also being made in staff at Economic, the group's UK insurer.

The result in the second half would depend on two factors, success or otherwise in efforts to sell the shareholdings in Baltica and Skandia and developments in the Danish share and bond markets, the company said.

Crédit Lyonnais restructures management

By Alice Rawsthorn in Paris

CREDIT Lyonnais, the state-controlled French bank, is restructuring its senior management by appointing Mr Michel Renault in the newly created post of joint director general.

Mr Renault, 55, heads Crédit Lyonnais's domestic retail banking interests. He will continue to be responsible for this area of the group as joint director general, but will also assume responsibility for the rest of its commercial banking operations.

The improved performance of Crédit Lyonnais's domestic banking business was one of the few bright spots in the group's 1991 results when net profits fell to FF3.16bn (€637m) from FF3.71bn in 1990 after it was forced to double its client risk provisions to FF9.5bn because of loan losses.

This increase in client risk provisions intensified criticism of the style of Mr Jean-Yves Haberer who, as chairman of Crédit Lyonnais, has been the architect of its aggressive lending and international expansion strategy.

Canon fall adds to gloom in Japan

By Robert Thomson in Tokyo

CANON, the Japanese camera and office equipment maker, yesterday reported a 14 per cent fall to ¥56.1bn (\$448.4m) in pre-tax profits for the first half, while Chinon Industries, another camera maker, announced that it would withdraw from the domestic market.

The announcements came as other companies cut profit estimates for the first half to the end of September, including Kyocera, the electronics company, which revised down its pre-tax forecast by 8.8 per cent to ¥17.7bn, compared to ¥21.9bn for the same period last year.

Japanese news agencies reported that the leading department store operators

Takashimaya and Sogo announced downward pre-tax profit revisions of 50 per cent and 37 per cent respectively for their first half to the end of August.

Each of the companies blamed worse than expected performances on the continued slowing of the domestic economy, but said they were confident of increasing domestic sales in the second half given the government's stimulatory package.

The package came too late for Chinon, which is to halt domestic sales of its camera brand later this year. The company also makes information equipment but executives admitted yesterday that it is now dependent on camera exports for earnings and overseas sales have been weak.

Chinon reported a pre-tax loss of ¥2.3bn last year and had forecast the same for the current year.

Canon said that its consolidated sales rose 0.7 per cent to ¥28.8bn in the first half to the end of June, with camera sales down 7.4 per cent and sales of business machines 2.2 per cent higher.

Sales of optical and other products were 0.5 per cent lower.

For the full year, Canon is expecting a 3.2 per cent increase in consolidated sales to ¥1.930bn, but a 15 per cent fall in pre-tax profit to ¥124bn, and a 12 per cent fall in after-tax profit to ¥46bn.

Kyocera, which is the leading maker of ceramic packages for integrated circuits, said sales for the September half

are likely to fall 6 per cent to ¥148bn. For the full year, the company forecast sales of ¥318bn, about the same as last year, reflecting its confidence in a second-half economic recovery.

Japanese department stores have been bruised by the unexpected weakness in consumer spending in recent months, and Sogo said that demand for most lines had fallen, leading to an expected 9 per cent decline in its first half sales. For the full year, it forecast a 31 per cent fall in pre-tax profit to ¥1.8bn on sales of ¥232bn, down from ¥310bn.

Takashimaya expected a 4 per cent fall in its first-half sales to ¥393bn. Its full-year pre-tax profit forecast was revised downwards from ¥12.8bn to ¥9bn.

Danish insurer plunges into red

By Hilary Barnes

BALTICA Holding, Denmark's biggest insurer, plunged to a loss of Dkr991m (€176m) in the first six months compared with the Dkr762m profit in the first half of last year.

Group equity capital shrank to Dkr1.92bn from Dkr2.20bn. Insurance operations returned a Dkr256m profit, down from Dkr520m last year.

"The result shows that our primary business area is doing well," said Mr Peter Christensen, group chief executive.

The losses arose from large write-offs of property-related

investments and the falling value of the bond and share portfolio.

Property write-offs were Dkr660m, including a substantial provision to cover involvement in a large office complex under construction in Gibraltar.

The value of strategic shareholdings in France's Compagnie Financière de Suez and Sweden's insurer, Skandia, declined by Dkr297m, while last year these holdings showed a gain of Dkr305m. Since June 30, the value of the strategic holdings has fallen by a further Dkr150m.

Baltica's banking subsidiary made a Dkr142m loss as loss provisions rose.

This compared with a Dkr12m profit last year.

The group forecast a better second-half result on condition that share and bond values at the end of the year did not deteriorate from the level at June 30.

Forenende declines to Nkr262.7m midway

By Karen Fosell in Oslo

FORENDE, one of Norway's four biggest insurers, said yesterday that first-half operating profit had declined to Nkr382.7m (€46.8m) from Nkr278.5m a year earlier.

The group blamed the decline on a Nkr64m fall in net currency gains. Group premium income rose 6 per cent to Nkr1.016bn while non-premium income advanced 20 per cent to Nkr1.146bn.

Forenende said that first-half sales rose 18 per cent to Nkr2.20bn while assets at end-June were up 30 per cent from last year at Nkr18.46bn.

The acquisition of four finance companies constituted the majority of the growth in turnover and gross assets.

The group is in the process of being acquired by Gjensidige, another Norwegian insurer, which controls 75 per cent of the company. Gjensidige expected to complete the takeover by August 1993.

Forenende said the acquisition was dependent on the elimination of the company's 10 per cent limit on shareholdings and a 5 per cent limit on voting rights. It added that the board and management were positive that it would be acquired by Gjensidige.

MONTHLY AVERAGES OF STOCK INDICES

	August	July	June	May
Financial Times	108.11	89.51	108.85	89.08
Government Securities	104.68	106.92	104.70	104.38
Fixed Interest	1741.1	1868.2	2027.3	2123.5
Ordinary	83.86	80.1	101.4	110.6
Gold Mines	17,888	30,980	22,746	31,540
ASAC-Bargains (\$00m)	1188.33	1238.74	1348.87	1408.22
Industrial Group	1259.02	1319.08	1419.88	1476.08
600 Share	880.36	703.78	755.77	784.48
Financial Group	1114.83	1171.82	1280.38	1310.73
All-Share	2344.1	2465.3	2504.4	2702.3
FT-SE 100	1038.99	1099.17	1154.01	1186.05
FT-SE Eurotrack 100				
	Highest July close	Lowest July close		
Ordinary	1814.8 (3rd)	1876.2 (28th)		
All-Share	1151.26 (3rd)	1088.13 (25th)		
FT-SE 100	9420.2 (3rd)	2281.0 (25th)		
FT-SE Eurotrack 100	1061.21 (3rd)	943.01 (25th)		

CITICORP MORTGAGE SECURITIES, INC.

REMIC Pass-Through Certificates, Series 1987-13
US\$57,057,000 Initial Stated Amount
of Class A-1 Citicertificates

For the period 1st September, 1992 to 1st December, 1992 the Class A-1 Citicertificates will carry an interest rate of 4.25% per annum with an interest amount of US\$6.14 per US\$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st December, 1992. The Stated Amount of the Citicertificates outstanding will be \$7,845,847,71% of the Initial Stated Amount of the Citicertificates, or US\$578,44 per individual Citicertificate until 1st December, 1992.

1st September, 1992 Bank of America NT & SA, London - Agent Bank

Halifax Building Society

Floating Rate Loan Notes 1996
For the three month period from 28 August, 1992 to 30 November, 1992 the Notes will have interest at the rate of 10.75 per cent per annum.
The Coupon amounts will be £138.05 per £5,000 Note and £1,380.46 per £50,000 Note, payable on 30 November, 1992.
Morgan Grenfell & Co. Limited
Agent Bank

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appears every
Wednesday &
Thursday
Friday
(International
edition only)

CHEMICAL NEW YORK CORP

US\$500,000,000 FLOATING RATE
SENIOR NOTES DUE 1999
In accordance with provisions of the Notes, notice is hereby given that for the interest period from 28 August 1992 to 30 September 1992 the Notes carry an interest rate of 6 1/2% per annum.
The interest payable on the relevant interest payment date 30 September 1992 against coupon no 94 will be US\$244.88 per US\$10,000 Note.
Chemical Bank
Agent Bank

TR WORLDWIDE STRATEGY FUND

Registered Office: 13 rue Goethe
L-1837 LUXEMBOURG
R.C. Luxembourg B 28.887
NOTICE OF SUSPENSION IN DEALING
It is hereby advised that dealing in the Japan Fund was suspended on Thursday, 27th August 1992. This arrangement is approved by the Depositary to ensure an equitable dealing policy.
By order of the Board

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

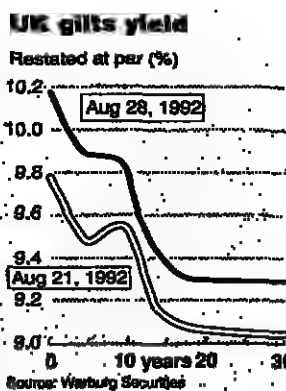
Currency contortions cast a cloud

GILTS came under pressure as sterling found itself in the crossfire of turbulence in the exchange rate mechanism of the European Monetary System.

With a strong D-Mark continuing to put other EMS currencies under strain, the pound fell last week against the German currency, closing on Friday night within about 1 pence of its DM2.778 floor.

The weaker sterling reduced demand for gilts, with prices slipping back along the yield curve. That corresponded to a rise in yields of about 30 basis points (0.3 percentage point) with the increase being most significant for shorter dated gilts.

With currency markets tense during much of last week, the Bank of England found less than rapturous welcome among investors for its auction of £2.5bn of 8% per cent Treasury stock maturing in 2017. This was oversubscribed by a factor of about 1.3, rather smaller than for earlier



UK gilts yield
Restated at par (%)

Source: Working Securities

gilts auctions of this type. Also, the recent fall in gilt prices meant the Bank gained rather less funds from the exercise than it might have hoped for. The cash will enable the government to finance this year's public sector borrowing requirement, which is expected to add up to more than £30bn.

One school of thought among gilt observers is that the

Bank's large requirement to sell bonds to fund the PSBR will at some point almost certainly draw in large numbers of overseas buyers. Demand from these groups would help underpin sterling.

However, a less optimistic gloss is that the weakness in sterling, assuming the currency remains fragile for the foreseeable future, may frighten away overseas buyers and cause them to purchase government bonds issued by other countries instead.

Overshadowing events in the gilt market - and all the other main bond markets in Europe - has been indications that France might reject European economic and monetary union in its referendum on September 20. That could lead to large selling of gilts, as well as of bonds denominated in other currencies regarded as weak, while German government bonds would probably see higher demand.

Since the Danish rejection of the Maastricht treaty in early

June, yields for German bonds have come down slightly, while those for other countries' bonds have risen.

While the difference between gilt yields and German bond yields has increased over this period by roughly 40 basis points, the comparable figure for French bonds has been about 70 basis points. In the case of Italian bonds, the yield spread has increased by 150 basis points. On the basis of these figures, the extra "risk premium" in the form of higher interest rates, that investors demand for holding gilts compared with German bonds has been somewhat less than the additional premium demanded for French and Italian bonds.

However, that is probably not all that comforting to gilt investors, given that the French franc and the Italian lira are two of the other extremely weak currencies in the EMS grid.

Peter Marsh

NORDIC REGION

Confusion reigns over Sweden's role in European monetary union

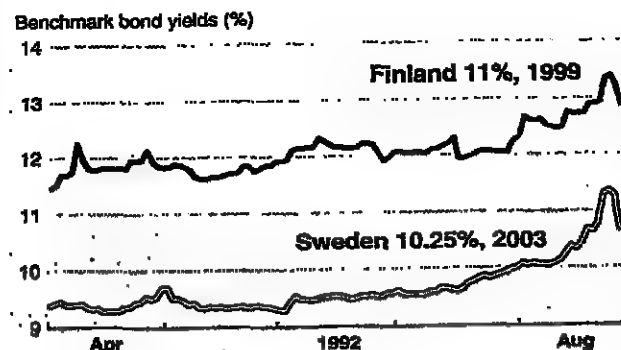
THE NORDIC financial markets are in a jittery state. In Sweden, concern about the economic situation and the possibility of a devaluation prompted a sharp outflow of currency in the middle of August, forcing the Riksbank - Sweden's central bank - to hike up its key lending rate twice in the space of a week.

The rise in Swedish rates had repercussions in neighbouring Finland where the central bank quickly raised its tender rate in order to prevent a currency outflow.

The 3 percentage point rise - from 13 per cent to 16 per cent - in the Riksbank's marginal lending rate last Wednesday took the markets by surprise as the Riksbank had raised the rate by one percentage point only the previous week.

The initial rise in the marginal rate, from 12 per cent to 13 per cent, was a response to a large capital outflow of SKr30bn in the week ending August 21 (compared with an outflow of SKr24bn the previous week).

The market's nervousness was partly blamed on Mr Allan Larsson, an opposition Social Democrat and former finance minister, who questioned whether Sweden should join a single European currency. His comments, which were published in the Swedish press, left the markets confused.



Benchmark bond yields (%)

Source: Datastream

about Sweden's future role in European economic and monetary union, and came at a time when the markets were losing their confidence in the ability of the centre-right minority government to push ahead with the tough economic measures needed to reduce Sweden's budget deficit.

The initial rise in the mar-

exchange rate policy would be maintained and said the government would push ahead with its policy for growth. Mr Bildt's four-party government has promised to cut back on public spending, but it has faced problems in passing some of its spending cuts in the parliament because it is in a minority.

The rise in Swedish rates had repercussions in Finland where the central bank raised its tender rate to prevent a currency outflow

ginal rate appears to have had little effect, with dealers estimating that a further SKr10bn or so may have flooded out of Sweden last week.

Prime Minister Carl Bildt said last week that the fixed

"What worries the market is the growing budget deficit and rapid rise in unemployment," says Mr Thomas Franzen, economist at Svenska Handelsbanken.

"Although the market is

quite confident about the government's economic policy, there is a real worry about whether the government can get these measures through Parliament." Mr Franzen warns that the public sector borrowing requirement for the 1992-1993 fiscal year could reach SKr150bn-SKr160bn.

The Riksbank's 3 percentage point rise in the marginal rate pushed up bond yields initially, but since then, yields on treasury bills and bonds have fallen back again.

Last week's rise in Sweden's marginal rate prompted an immediate hike in the Bank of Finland's tender rate, from 15.5 per cent to 17 per cent, in an attempt to prevent an outflow of capital. The rise pushed up yields, with the seven-year bond yielding 13 per cent.

Dealers warn that while the Bundesbank keeps German interest rates high and the European bond markets remain preoccupied with the forthcoming French referendum on the Maastricht treaty, there is little chance that the Bank of Finland will be able to lower interest rates. The government has a heavy funding requirement this year, but so far about two-thirds of its funding has been done abroad in other currencies, thereby putting less pressure on domestic interest rates.

Sara Webb

US MONEY AND CREDIT

Dollar's decline highlights tussle with data

THE DECLINE in the dollar over the past week and a half has brought to the fore a tussle between the US economy and a money collection of economic statistics over the direction of the nation's credit markets.

The plunge in the currency which began on August 21 sharply reversed a solid two-month rally in the bond market which had been prompted by Wall Street starting to conquer its fears of inflation, the bond market's biggest bugbear.

However, by the end of last week the yield on the benchmark 30-year Treasury issue had risen to 7.42 per cent, against 7.35 per cent a week before and 7.31 per cent two weeks earlier.

Trading on US bond markets was quiet yesterday as investors and dealers stayed on the sidelines ahead of this week's important employment report for August. By midday, the benchmark 30-year government bond was down just 1/8 at 97 1/8, yielding 7.42 per cent. The two-year note was slightly

weaker, down 1/8 at 100 1/8, to yield 4.18 per cent. There are probably three inter-linked reasons for this unusually powerful currency impact on the credit markets. The first, and most important, is that Wall Street thinks the dollar's plight reduces the freedom of the Federal Reserve to cut interest rates again. For this would increase the large interest rate differential between the US and Germany and place the dollar under greater pressure.

Second, the market fears a weakening currency could encourage foreign investors to sell their investments in dollar-denominated assets, or at least not buy new ones, thus reducing demand for both equities and fixed income securities.

Third, a low dollar makes imports more expensive, and this could help give an upward bias to inflation. However, given the vast size of the domestic market, relative to imports, this concern is of minor consequence.

Behind the dollar's decline lies a direct policy conflict

between the US government, which has slashed interest rates to promote growth, and the German government, which is keeping interest rates high to choke off inflation.

This clash is not going to be resolved quickly, so the dollar is likely to remain weak for some time - at least until the German economy shows more concrete signs of cooling, which will reduce the pressures for yet tighter German monetary policy.

Those short rallies the US credit markets have enjoyed over the past week have been due to further evidence that the domestic recovery from recession is proceeding at the pace of a snail.

Money supply numbers released last Thursday saw an unexpected decline in M2, while Wednesday produced a surprisingly sharp decline in orders for durable goods. On Tuesday, the Conference Board reported that consumer confidence had fallen to its lowest level since March.

This week the market will be

focusing on Friday's employment report - the most important early snapshot of how the economy performed in August.

Many analysts are forecasting a drop in unemployment, from July's 7.7 per cent to between 7.6 per cent and 7.5 per cent. Payroll employment is expected to rise between 145,000 and 260,000 people.

These raw figures are misleading, because most of these jobs will be due to the temporary employment of deprived youths under a Federal summer work creation programme. The figures will doubtless be seized by both the Democrats and Republicans to support their cases in the presidential election campaign, which is likely to cast an increasingly heavy shadow over the bond market in the weeks ahead.

Many on the Republican Wall Street have yet to take on board just how far President Bush remains behind in the polls and the increasing possibility of a Democratic victory.

Martin Dickson

NORTHERN GREECE

The FT proposes to publish this survey on October 28 1992.

This is the first time that the FT will be conducting an in-depth examination of an area that extends from the Adriatic to the North Aegean and lies along the southern borders of Albania, the former Yugoslavia, Bulgaria and the western border of European Turkey.

Professional investors in over 160 countries worldwide and 54% of Chief Executives in Europe's largest companies will see this Financial Times Survey.

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FT SURVEYS

Data source: Chief Executives in Europe 1990

ANNUAL INVESTOR STATEMENT
Dated as of August 17, 1992CHRYSLER CREDIT CORPORATION
CARCO DEALER - WHOLESALE TRUST 1990-A

Annual Investor Statement as of August 17, 1992, for the one year period commencing August 13, 1991 and ending on August 12, 1992 (the "Annual Period") as provided by Chrysler Credit Corporation, as Servicer.

The following information is provided by Chrysler Credit Corporation, as Servicer (the "Servicer") pursuant to Section 5.02 of the Pooling and Servicing Agreement dated as of August 1, 1990 among Chrysler Auto Receivables Company, as seller, the Servicer and The Fuji Bank and Trust Company, as trustee (the "Pooling and Servicing Agreement").

Total Principal Receivables balance on August 12, 1992 amounted to U.S. \$883,944,177.12. Such aggregate balance is allocated among the various ownership interests as follows:

Investor Amount	U.S. \$850,000,000.00
Base Subordinated Seller Amount	U.S. \$1,705,000.00
Incremental Subordinated Amount	U.S. \$303,040.17
Senior Seller Amount	U.S. \$2,008,000.00
Excess Senior Amount	U.S. \$129,938,127.95
Existing credit enhancement currently totals U.S. \$ 87,455,000.00 and is comprised of the following:	
Spread Account Balance	U.S. \$ 3,250,000.00
- Net Increase (Decrease) in Spread Account Balance for the current Annual Period	U.S. \$ -0-
- Percentage of Spread Account Cap	U.S. \$ 100.00%
Base Subordinated Seller Amount	U.S. \$1,705,000.00
- Net Increase (Decrease) in Base Subordinated Seller Amount for the current Annual Period	U.S. \$ -0-
- Percentage of Initial Base Subordinated Seller Amount	U.S. \$ 100.00%
Available Letter of Credit Amount	U.S. \$32,500,000.00
- Net Increase (Decrease) in Available Letter of Credit Amount for the current Annual Period	U.S. \$ -0-
- Percentage of Stated Letter of Credit Amount	U.S. \$ 100.00%

Available Funds exceeded Required Monthly Coverage in 12 out of the 12 months of the current Annual Period.

Amount withdrawn from the Spread Account: U.S. \$ -0-

Amount of Available Subordinated Funds drawn: U.S. \$ -0-

Amount of draw under the Letter of Credit: U.S. \$ -0-

As of the date of this Annual Investor Statement no Amortization Event has been deemed to have occurred.

Capitalized terms used but not defined herein have the meanings ascribed thereto in the Pooling and Servicing Agreement.

By: Chrysler Credit Corporation, as Servicer

SOCIETE CONCESSIONNAIRE FRANCAISE POUR LA CONSTRUCTION ET L'EXPLOITATION DU UNNEL ROUTIER SOUS LE MONT-BLANC
FRF 450,000,000 FLOATING RATE NOTES 1987-1997

In accordance with the provisions of the Notes, notice is hereby given that the rate for the period from August 28, 1992 to November 29, 1992 has been fixed at 10.75 per cent per annum.

On November 30, 1992 interest of FRF 280.69 per FRF 10,000 nominal amount of Notes, and interest of FRF 2,806.94 per FRF 100,000 nominal amount of the Notes will be due against coupon no. 21.

Notices to holders, including notices relating to the quarterly determination of interest rates, will be published only in "L'Agence Economique et Financiere" (Paris) and in "The Financial Times" (London).

Fiscal Agent

BANQUE INTERNATIONALE A LUXEMBOURG

C&G
Cheltenham & Gloucester
Building Society

£125,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 26th November, 1992 has been fixed at 10.93125% per annum. The interest accruing for such three month period will be £274.77 per £10,000 Bearer Note, and £2,747.75 per £100,000 Bearer Note, on 26th November, 1992 against presentation of Coupon No. 6.

Union Bank of Switzerland

London Branch
Agent Bank

26th August, 1992

FT/ISMA INTERNATIONAL BOND SERVICE											
ISIN	DESCRIPTION	PRICE	YIELD	ISIN	DESCRIPTION	PRICE	YIELD	ISIN	DESCRIPTION		
US927828	US TREASURY 10/15/92	100.00	7.50%	US927829	US TREASURY 10/15/92	100.00	7.50%	US927830	US TREASURY 10/15/92	100.00	7.50%
US927831	US TREASURY 10/15/92	100.00	7.50%	US927832	US TREASURY 10/15/92	100.00	7.50%	US927833	US TREASURY 10/15/92	100.00	7.50%
US927834	US TREASURY 10/15/92	100.00	7.50%	US927835	US TREASURY 10/15/92	100.00	7.50%	US927836	US TREASURY 10/15/92	100.00	7.50%
US927837	US TREASURY 10/15/92	100.00	7.50%	US927838	US TREASURY 10/15/92	100.00	7.50%	US927839	US TREASURY 10/15/92	100.00	7.50%
US927840	US TREASURY 10/15/92	100.00	7.50%	US927841	US TREASURY 10/15/92	100.00	7.50%	US927842	US TREASURY 10/15/92	100.00	7.50%
US927843	US TREASURY 10/15/92	100.00	7.50%	US927844	US TREASURY 10/15/92	100.00	7.50%	US927845	US TREASURY 10/15/92	100.00	7.50%
US927846	US TREASURY 10/15/92	100.00	7.50%	US927847	US TREASURY 10/15/92	100.00	7.50%	US927848	US TREASURY 10/15/92	100.00	7.50%
US927849	US TREASURY 10/15/92	100.00	7.50%	US927850	US TREASURY 10/15/92	100.00	7.50%	US927851	US TREASURY 10/15/92	100.00	7.50%
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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Ecu market close to collapse as union hopes fade

THE ECU bond market, built on the assumption of European monetary union, appears to be close to collapse, after prices diverged again and liquidity evaporated last week.

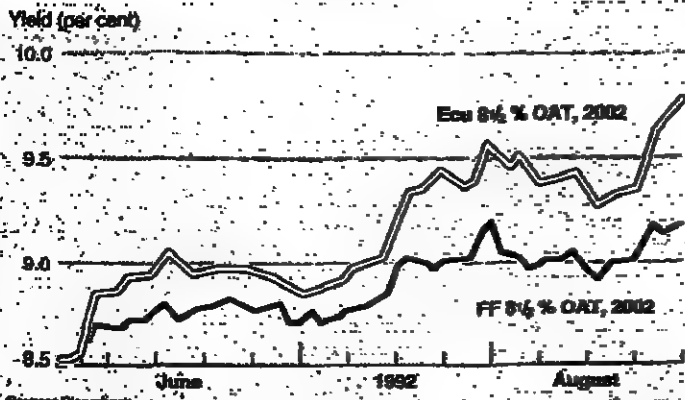
A series of opinion polls showing that a majority of French voters are preparing to reject the Maastricht treaty on European monetary and political union in this month's referendum sent a further shock wave through the market, which was still reeling from the blow delivered by Denmark's rejection of the treaty on June 2.

"The market is effectively closed," said one marketmaker, after attempts to revive liquidity by resetting marketmaking guidelines failed.

The price of the Paribas 10-year Ecu bond index dropped to 97.64 late last week, from 100.13 the previous week. Ecu bonds issued by France and the UK held up better than most, while Italy's bonds due 2011 again bore the brunt of selling, dropping from more than six points to \$6.30 in the course of last week. The Italian issue, now yielding 11 per cent, is starting to look cheap, in terms of relative value. But the market has become so illiquid, that such valuations have lost much of their significance.

"The downside for the Ecu market at this point is no longer value but liquidity," one trader said. "Even if the bonds theoretically hold value, the fact that it is impossible to sell paper means that investors will not buy."

Consequently, it is difficult to see where the floor for the market lies. Already, the yield of the Paribas 10-year index stands at 9.77 per cent, 60 basis points more than the



theoretical yield compiled from the yields of the component currencies. Prior to last week's sell-off, the margin was around 20 basis points.

"Ecu bonds are offering tremendous value, but there is always the risk that they will offer even better value next week," said Mr Bob Tyley, head of bond analysis at Paribas.

As fund managers reassess their portfolios ahead of the French referendum, there is little incentive to hold Ecu bonds. If the French vote yes on September 20, the Ecu bond market is undoubtedly set to rally. But if they vote no, it is likely to be worse hit than other markets. Given the degree of political uncertainty surrounding the referendum, few fund managers want to take a strong view on the outcome.

"Some of the higher-yielding European markets, like Italy and Spain, offer better prospects," according to Mr Michael Burke, bond analyst at Yamaichi International. While they would suffer

from a no vote, the lira and peseta will still be viable currencies without Maastricht, while the Ecu would no longer be an attractive investment for institutional investors, if European monetary union is abandoned.

In the case of a no vote, a realignment of the Exchange Rate Mechanism is seen as an increasingly likely prospect. Without the pull of monetary union, the strains within the ERM, many economists believe, would become intolerable. Here too, the Ecu bond market stands to pay a high price.

Further, if the French vote yes by only a narrow margin, a mood of uncertainty could continue to depress bond markets at least until the end of the year, when other countries, such as the UK and Germany, have ratified the treaty.

There are also nuances of reaction within the Ecu bond market. "The two-tier structure of the Ecu bond market is becoming more distinct, reflecting the advances for the

no vote over the last week," said Mr Steve Major, bond analyst at Credit Lyonnais. Mr Major places issues by France, the UK, Spain, Denmark and Belgium in the top tier, since these issues will receive official government support, even in the case of a no vote. The lower tier consists of less liquid state-backed agency, sovereign and corporate issues. "A yes will lead to outperformance by the recently out of favour tier-2 group but a no will favour the more liquid tier-1," according to Mr Major.

Not all potential sellers of Ecu bonds have been able to unload their stock, either because of the market's illiquidity or because they do not want to realise losses. But any attempt at a rally has been, and will continue to be, used by asset allocators as a selling opportunity.

Further, the problems experienced by investors in offloading paper will not be forgotten soon. Until a couple of years ago, institutional investors eschewed the Ecu bond market, which was dominated by retail investors. Then, the sponsorship of the market by European governments, in the form of large Ecu borrowing programmes - coupled with extensive marketing by banks - drew them in.

Now that their claims for the market have collapsed, how far should the responsibilities of market participants go, and can they be blamed for the current disarray? Certainly, the conduct of market-makers has not been a pretty sight. For the last two years, banks and securities houses have been falling over each other to gain market-maker status in the sector, keen to gain a foothold in what could

become Europe's bond market. Since the Danish vote on June 2, the rush for the doors has been equally fierce.

Although there are nominally 44 marketmakers recognised by the International Securities Market Association, the self-regulating body which oversees the market, there have never been more than a dozen serious players. By the end of last week, no one was actually making a market.

A one-day suspension of market-making in July, followed by a resetting of marketmaking guidelines had already failed to reinject liquidity. Last week, as liquidity diminished still further, a group of marketmakers led by Paribas attempted to take matters into their own hands by again resetting spread and size guidelines, in the hope of encouraging dealers to make prices. Although a group of four market-makers did make prices for a few hours on Friday, the initiative failed, and market participants now seem resigned to an almost total loss of liquidity at least until the referendum.

Given the surplus of sellers and non-existence of buyers, it is difficult to see how the banks could remedy the situation. "There is Ecu100bn of bonds outstanding in the market. The street cannot be expected to buy the whole market back," one trader argued.

Little comfort, however, for the numerous institutional investors who bought on the sales pitch that Ecu Eurobonds issued by European states were quasi-government bonds, with comparable liquidity.

Tracy Corrigan

John Plender

Clinging to the wreckage

ERNEST BEVIN, when foreign secretary, once memorably remarked of the Council of Europe: "If you open that Pandora's Box you never know what Trojan 'orses will jump out." Similar, if less earthy, advice is now on offer from the European political and financial establishment, after a turbulent week on the exchanges, about the risks of reopening the debate on monetary union or prising apart the existing alignment of currencies in the exchange rate mechanism (ERM).

As Community finance ministers prepare for a damage limitation session next weekend in Bath, they would do well to remember that Pandora was a headstrong girl (and that the hot spring water that they will be invited to imbibe at this otherwise charming west country spa is thoroughly sulphurous). Many in the markets are already convinced that it is too late to prevent the Trojan horses taking a joyful jump.

Much of the turmoil last week came after opinion polls suggested that the French might vote no to Maastricht in the forthcoming referendum. Yet the damage has arguably been done already. Given that an overwhelming yes vote is now almost inconceivable in the country that spearheaded the move to ERM, the proponents of Maastricht appear to lack an adequate mandate.

That, certainly, appears to be the verdict of the Ecu bond market, which has always been regarded as a bellwether for Maastricht's ratification prospects. After the treaty was signed, Ecu bonds stood at a premium to their underlying currency components. As the prospect for monetary union faded, Ecu bonds went to a discount. Since July the market has gone into a slump and banks have desperately looked for ways of reviving it. But to no avail.

The Ecu bond debacle is less than reassuring for Euro-visionaries. But nor does it follow that the countries whose currencies are under pressure will be immediately taken off the hook. ERM is one thing, the ERM another. And it would be unwise to underestimate the depth of the commitment of Mr John Major's government to this semi-fixed exchange rate system. The game for Europe's finance ministers for the

next three weeks will be to keep the ERM show on the road. The only question is whether their contingency plans will be obliged to incorporate a realignment.

Their problem is that if the prospect of monetary union has retreated, it will be hard to restore investors' interest in convergence, the bond market equivalent of Gresham's law whereby the most inflation-prone currencies become strong, while the historically strong turn weak. Sir Thomas Gresham was, incidentally, a notorious deflationist who wanted a strong currency to reduce the cost to Elizabeth I of paying off foreign loans, regardless of the consequences for unemployment. How apposite.

Without the prospect of ERM the inherent strains of the ERM also become less tolerable. The dealers may have come back in from the window ledges after last week's squall. But being shackled to the world's strongest currency can be relied on to bring more squalls in the absence of policy change - and bigger squalls on any change of US president.

Within the ERM itself there is no escape from the fact that the link to a post-unification D-Mark delivers inappropriate monetary policies to some members, not least Britain, where debt deflation is being addressed, bizarrely, by rising real interest rates. Yet realignment within or devaluation without the ERM would present huge credibility problems for sterling. Their manageability, if it came to that, would depend on what accompanying fiscal and monetary steps the government chose to adopt.

The government is hoping that something will turn up - or rather, that the D-Mark will turn down. But if post-war history is any guide the likely outcome is months of turbulence, followed by capitulation to political and market pressure. The outcome for Mr Major, who took Britain into the ERM, and his chancellor Norman Lamont, might be terminal. But the verdict of historians on the prime minister could prove kinder than that of his party. After all, when Sir Isaac Newton, master of the mint, took Britain on to the gold standard in 1717 he hadn't the remotest conception of what he was doing either.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount M.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Mexico Finance (a) (b)	50	1997	5	(b)	100	Banca Dei Götter	-
Banco Cereales (a) (b)	20	1994	2	(b)	98.50	Chemical Int. Bank	10.25
Credit Foncier (a) (b)	300	2002	10	(b)	100	Paribas Cap M&A	-
Amoco Canada (a) (b)	250	2002	10	7.25	101.915	Goldman Sachs Int.	8.978
Telebras (a) (b)	100	1997	5	10.375	97.85	Merrill Lynch Int.	10.95
ECU							
Shinagawa Power (a) (b)	70	1996	5	8	100	Daiwa Europe	8.0
D-MARKS							
Deutsche Finance (a) (b)	100	1997	5	8.5	102.3	Deutsche Bank	7.525
Credit National (a) (b)	300	1997	5	8.5	101.8	Dresdner Bank	8.125
General Electric (a) (b)	300	1995	3	8.75	101.4	JP Morgan GMBH	8.205
General Electric Capital (a) (b)	90	1994	2	8.125	101.15	CSFB-Efficientbank	8.478
CANADIAN DOLLARS							
Japan Highway (a) (b)	300	2002	10	7.575	101.485	ISJ Int.	7.655
YEN							
Nippon Oil Finance (a) (b)	5.5bn	1997	5	(b)	100	Goldman Sachs	-
Nichii Co. (a) (b)	500m	1998	5	5.5	101.025	Nomura Int.	8.161
NEC Corp. (a) (b)	200m	2002	10	5.7	101.76	Nikko Europe	5.499
NEC Corp. (a) (b)	200m	2000	8	5.8	101.75	Daiwa Europe	5.328
SWISS FRANCES							
Yusasa Trading (a) (b) (c) (d)	100	1996	4	3.625	100	Nomura Bank	3.625
Japan Finance Corp. (a) (b)	150	2002	10	7.125	102.5	Swiss Volksbank	6.773
Hyundai Motor Finance (a) (b)	100	1997	5	8.5	101.575	UBS	8.154
Osaka Cement (a) (b)	150	2004	12	7.125	102.25	UBS	8.944
Daewoo Corp. (a) (b) (c) (d)	45	1996	4	4.5	100	SSC	4.484
LUXEMBOURG FRANCES							
GMAC Int. Finance (a) (b)	500	1994	2	10	102.125	BGL	8.788
BBL Int. (a) (b)	1.25bn	1989	7	9.25	102.25	Credit European	8.806

(a) Private placement. (b) Convertible. (c) With equity warrants. (d) Floating rate note. (e) Variable rate note. (f) Fixed term. (g) Coupon pays 50% above 6-month Libor. Non-callable. (h) Coupon pays 10% below 6-month Libor and pays semi-annually. Subordinated issue. Minimum interest rate 5%. Maximum 10%. Non-callable. (i) Put option on 30/10/94 at 112.5%. Conversion premium fixed at 5% above average of last 5 days. (j) Exercise premium fixed at 2.50%. (k) Coupon pays 0.25% above 3-month Euro Yen. Note: Yields calculated on ISMA basis.

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Swiss Cantobank Securities Limited

August 28 1992

This announcement appears as a matter of record only

ABN-AMRO Holding N.V.

established in Amsterdam

The Managing Board of ABN AMRO Holding N.V. wishes to announce that it has been decided, with the approval of the Supervisory Board, to distribute an interim dividend for the 1992 financial year of NLG 1.40 per ordinary share of NLG 5.- nominal value.

The interim dividend of NLG 1.40 may be taken at the shareholder's option either entirely in cash or NLG 0.55 in cash and a distribution of ordinary shares charged to the share premium reserve or, if desired, to the general reserve, in the ratio of one new share for every 50 shares held.

The new ordinary shares will rank for the final dividend for the 1992 financial year and the full dividend for subsequent financial years.

Payment in the form of ordinary shares chargeable to the share premium reserve is exempt from Dutch withholding tax and income tax. If shareholders opt for payment chargeable to the general reserve, they will in principle be charged 25% withholding tax on the nominal amount of the payment.

As of September 14, 1992, the interim dividend on ordinary shares will be payable at the following addresses:

Netherlands: any office of ABN AMRO Bank N.V.

United Kingdom: National Westminster Bank Plc. (Crawley), ABN AMRO Bank N.V. (London, Manchester and Birmingham)

In connection with the above, NLG 0.55 and NLG 0.85, less 25% withholding tax, will become payable in exchange for dividend coupon nos. 9 and 10, respectively.

Shareholders opting for payment in the form of ordinary shares chargeable to the share premium reserve or the general reserve will receive one new ordinary share of NLG 5.- nominal value in exchange for every fifty dividend coupons no. 10. The closing date is October 28, 1992. After this date holders of dividend coupons no. 10 can obtain payment in cash only. The new ordinary shares in respect of unexercised stock dividends will be sold.

Holders of CF-certificates will receive the cash dividend, less 25% withholding tax, and their rights to ordinary shares through the institutions where the dividend sheets belonging to their certificates were deposited at the close of business on August 28, 1992.

In respect of the exchange of dividend coupons no. 10, which must be provided with a company stamp on surrender, corporate members of the Amsterdam Stock Exchange Association will receive a commission in accordance with circular letter 90-56 of the Amsterdam Stock Exchange Association so that said exchange can be made free of charge to the holders.

Persons presenting dividend coupons no. 10 for exchange and requesting delivery of securities at offices other than those stated above may be charged commission.

Holders of registered shares, whose names have been entered in the ordinary share register will be notified individually by the company of the amount of dividend payable to them.

Amsterdam, August 28, 1992

ABN AMRO Holding N.V.



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FUTURES PAGER

THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS:
 Arlen, 10.30am Hill, E.C., 3.00
 Courts (Furnishers),
 Painters Hall, 9. Little Trinity
 Lane, E.C., 11.00
 Tinsley Robor, Mint House,
 77, Mansell Street, E., 10.30
BOARD MEETINGS:
 Interims:
 Asfex (BSR)
 Haynes Publishing
 Interims:
 Dewhurst
 Pearlman
 Torday & Carlisle
TOMORROW
COMPANY MEETINGS:
 Benson Group, Birmingham
 Botanical Gardens,
 Westbourne Road,
 Edgbaston, 12.15
 Bepak, Bergen Way, North
 Lynn Industrial Estate, Kings
 Lynn, 11.30
 Claythorpe, Naval & Military
 Club, 94, Piccadilly, W., 12.00
 Prism Leisure, The Registry,
 Royal Mint Court, E.C., 10.30
 Syltore, Forte Crest Hotel,
 Leeds Road, Bramhope,
 12.00
BOARD MEETINGS:
 Interims:
 Indl. Control Services
 Isotron
 Provident Financial
 SelectTV
 Interims:
 American Trust
 Bowler
 Cakebread Robey
 CRH
 Cousins Property
 English & O'Seas Props
 Invergordon Distillers
 Johnston Press
 Page (Michael)
 Pearson
 Pricer & Colman
 Rolfs-Royce
 Singer & Friedlander
 TAN
 Trans World Comms.
 Vinton
 Waterford Wedgwood
 Williams Higgs
 Wilson Bowden
FRIDAY
SEPTEMBER 4
COMPANY MEETINGS:

Conference Centre, Middx.,
 11.00
 Wesssex Water, Assembly
 Rooms, Bennet Street, Bath,
 11.00
BOARD MEETINGS:
 Interims:
 Barr & Wallace Arnold Tst.
 Burmah Castrol
 Cookson
 Courtauld Textiles
 Edmond Higgs
 Iceland Frozen Foods
 Jourdan (Thomas)
 Ladbroke
 Merlin Int'l. Green Inv.
 Pearson
 Pricer & Colman
 Rolfs-Royce
 Singer & Friedlander
 TAN
 Trans World Comms.
 Vinton
 Waterford Wedgwood
 Williams Higgs
 Wilson Bowden
FRIDAY
SEPTEMBER 4
COMPANY MEETINGS:

AIM Group, New Connaught
 Rooms, Great Queen Street,
 W.C., 12.00
 Associated British
 Consultants, Alderman's
 House, Alderman's Walk,
 E.C., 11.30
 Ferromet Group, Founders
 Court, Lobbury, E.C., 12.00
 GEC, Hilton Hotel, Park
 Lane, W., 12.00
 Graig Shipping, 113-116,
 Bute Street, Cardiff, 11.15
 Grand Central Inv., 4,
 Broadgate, E.C., 11.00
 Harris (Philip), Lynn Lane,
 Shenstone, Staffs., 12.00
 Joseph (Leopold), 23,
 Gresham Street, E.C., 12.30
 Menzies (John), George
 Street, 21, George Street,
 Edinburgh, 12.30
BOARD MEETINGS:
 Interims:
 Hong Kong Inv. Tst.
 Interims:
 Gibbs & Dandy
 Company meetings are
 annual general meetings
 unless otherwise stated.

RESULTS DUE

THE interim results season, which has taken a breather during most of August, springs back to life on Thursday with a clutch of companies reporting. Williams Holdings, the industrial conglomerate, is expected to have suffered a fall in half-year pre-tax profits from £78.5m to around £73m. Earnings per share are also likely to be down to 10.5p from 10.9p. The interim dividend is expected to be unchanged at 5p. Most of Williams' divisions have been affected by the recession on both sides of the Atlantic and are expected to show a fall in profits. This is expected to more than offset contributions from Yale and Valor, the locks and domestic appliances group, bought last year in an agreed deal. Rolls-Royce, the aircraft engine maker, continues to claw its way back from its dismal interim results last year. Pre-tax profits should be back to nearly £40m from £11m a year earlier. A positive factor has been the slow recovery in sales of engine spares. Burmah Castrol, the lubricants, chemicals and fuels company, is expected to announce interim pre-tax profits for the six months to June 30 of about £78m, resulting in net income after tax and minorities of about £39m. This compares to profits and net income of £72.2m and £33m respectively for the first half of last year. Lubricants, which includes Castrol automotive oils, is expected to have performed well although the chemicals division is expected to be down. Ladbroke should edge ahead about 6 pence to interim pre-tax profits of £100m-£105m. The picture at none of its main divisions is particularly exciting.

T&N is likely to turn in a creditable £30m in interim pre-tax profits, up from £20.3m a year earlier. Although the car parts business remains very tough, it has picked up market share and won orders on new vehicle models. Beckitt & Colman, the food and household products maker, has had a static first half with pre-tax profits close to last year's £128m. Cookson, the materials maker, is also likely to have had a flat first compared with last year's £34m. But its heavy rationalisation programme of the past year is starting to pay off.

ECONOMICS

Focus turns to Germany

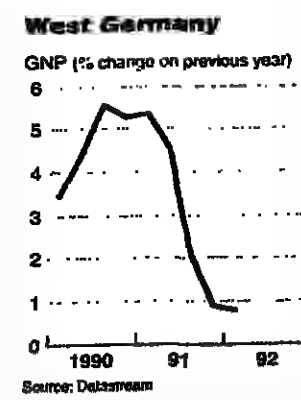
THE focus this week turns to Germany where important data on the real economy are due. The figures will be watched all the more keenly following the recent turmoil on the currencies markets. In June, German industrial production fell by 2.1 per cent and although the drop was explained away by an early start to the summer holidays, industrial output has fallen month-on-month since April. Another drop in July could improve sentiment towards the dollar, since the weaker the German economy, the sooner the Bundesbank is likely to cut interest rates.

But according to Ruth Lea, chief economist at Mitsubishi Bank, there are still no signs of serious recession in west Germany. "So on this count there is not room for early Bundesbank easing," she says. Unemployment in west Germany is forecast to rise by 20,000 as employment prospects weaken. However, the unemployment rate for west Germany, at around 6 per cent, is still lower than in France, the UK and Italy.

In the UK, figures for August's official reserves should give some indication of the extent of the Bank of England's intervention to support the pound last month.

Other economic highlights of the week are listed below. The median of economists' forecasts from MMS International are in brackets.

Yesterday: UK, Bank holiday, markets closed; US, new home sales (\$87,000), August Chicago national association of purchasing managers index, August agricultural prices;



Source: Datastream

Canada, second quarter real GDP, second quarter consumption, second quarter nominal current account; June real GDP at factor cost; Japan, July construction orders, July housing starts (up 1.7 per cent on year), July construction starts, August trade balance; Australia, July current account, seasonally adjusted (\$A9.99bn deficit).

Today: US, July leading indicators (up 0.1 per cent), August NAPM index (64.8 per cent), July construction spending (up 0.5 per cent); Japan, August foreign exchange reserves. Tomorrow: US, July factory orders (down 1.8 per cent), July factory shipments; UK, August

official reserves (down \$800m). Thursday: Germany, Bundesbank holds regular council meeting, second quarter GNP, west (down 1 per cent), August unemployment, west (up 20,000), July employment, west (down 15,000), August vacancies, west (down 5,000), August unemployment, east (up 10,000), August vacancies, east (down 25,000).

Friday: Switzerland, August Zurich CPI, August federal CPI (up 0.4 per cent on month, up 3.7 per cent on year); Canada, August employment growth, August unemployment rate; Japan, July trade balance, July current account, August foreign bond investment; New Zealand, second quarter producer price index for inputs and outputs; Finland, 1993 budget presented. During the week: Germany, July trade balance (\$M2bn surplus), July current account (\$M4.5bn deficit), July industrial production (up 0.5 per cent on month), July manufacturing output (up 0.5 per cent on month); Switzerland, second quarter GDP (down 0.4 per cent on year), August unemployment rate (3 per cent); Italy, August CPI (up 6.4 per cent on year).

Emma Tucker

DIVIDEND & INTEREST PAYMENTS

YESTERDAY
 Alliant London Props. 10 1/2% 1st Mtg. Db. 1994/99 £5.25
 Amco 10.05% 1st Mtg. Db. 1994/99 £5.25
 Bankers Inv. Tst. 0.85%
 Bouthorpe 8% Db. 1998/93 £4.00
 Burmah Castrol 8 1/2% Un. Ln. 1991/96 £4.25
 Ecclesiastical Invest 13% Db. 2018 £6.50
 Excalibur 11.5% Cm. Pl. 8.75p
 Glasgow Inc. Tel. 0.5p
 Honda Motor 5 1/4% Cv. Bd. 1998 £13.125
 Do. 5 1/2% Cv. Bd. 1997 £137.80
 Johnson & Firth Brown 11% Un. Ln. 1998/98 £4.50
 Lon. & St. Lawrence Inv. 5% Cm. Pl. 1.75p
 Lon. & Strathclyde Tel. 5% Cm. Pl. 1.75p
 Murray Spill Cap Tel. Inc. 2.5p
 Do. Units 25p
 Next 7 1/4% 1st Mtg. Db. 1997 £2.5375
 Olin Cv. Tel. 4.2p
 Parkland Tst 4 1/2% Cm. Pl. 2.1p
 Pwaidio Oil 10.05%
 Pwaidio 14.5% Cm. Pl. 7.25p
 RPH 8% Db. 1992/96 £4.00
 Do. 4 1/2% Un. Ln. 2004/09 £2.25
 Do. 7 1/4% Un. Ln. 1987/92 £3.6125
 Do. 9% Un. Ln. 1999/2004 £4.00
 Second Market Inv. 2 1/2% Cv. Un. Ln. 1984 £1.25
 Seiyu 7 1/4% Cv. Bd. 1998 £38.25
 Temple Bar Inv. Tel. 6% Cv. Un. Ln. 2002 £3.00
 31 8 1/2% Un. Ln. 1992/97 £4.4375
 TR Far East Inc. Tel. 7% Db. 1997/2002 £2.50
 Wells Fargo Flg. Rate Sb. Nts. 1992 £48.00
 Do. Flg. Rate Sb. Nts. 2000 £48.21
TODAY
 Aberdeen (City of) 10.8% Rd. £5.40

Low (Wm.) 6 1/4% Cv. Rd. Pl. 3.375p
 Lowndes Lambert 8.4p
 Lowndes Inds. 6 1/2% Cm. 1st Pl. 2.275p
 Manul Hanover Leasing Int. Corp. Gld. Flg. Rate Sb. Nts. Aug. 1998 £258.33
 Met. Water 3% B 1954/2003 £1.50
 Mexico 16 1/2% Un. 2008 £2.25
 Oldham (Met. Borough) 11.25% Rd. 2010 £3.625
 P & O 9 1/4% Db. 1.75p
 Do. 3 1/2% 2nd Db. 1.75p
 River Plate & Gen. Inv. Tel. 5% Cm. Pl. 1.75p
 Salisbury (J.) 8% Irrd. Un. Ln. £4.00
 Salsanders (S.) 8% Cm. Rd. Pl. 2.1p
 Slough Estates Cm. Cv. Rd. Pl. 4.125p
 South West Water 14.8p
 Sturge 2.75p
 Tarmac 6 1/4% Db. 1988/94 £3.125
 Do. 8 1/4% Db. 1989/94 £3.375
 Do. 10 1/4% Db. 1992/97 £3.75
 Transcanada Pipeline 16 1/2% 1st Mtg. Pipe Line Bds. 2007 8.25p
 Treasury 8 1/4% Un. 1997 £4.375
 Treasury 14 1/2% Un. 1994 £7.25
 Union Carbide 10.16%
 USLIFE 30.45
 Wipac 0.2p
 Wilan Inv. 8% Db. 1989/99 £4.00
TOMORROW
 Adam & Harvey 6p
 Ivory & Sims 4.5p
 Local Authority 10 1/2% Bd. 2/9/93 £5.4741
 Meyer Int'l. 12.3p
 Sanyo Electric 8% 1997 Y133284.0
THURSDAY SEPTEMBER 3
 Conversion 9% 2000 £4.50
 Countryside Props. 1.41p

ISBTAN 6.2% Nts. 1999 Y183611.0
 Leinvest 10 1/4-11 1/4% Stppd. Int. 1st Mtg. Db. 2012 £5.625
 Partridge Fine Arts 1p
 Prospekt Inds. 0.25p
 Royal Hotel 8 1/4% Bd. 1997 Y152500.0
 Safeland 0.14p
FRIDAY SEPTEMBER 4
 Aberforth Smaller Co's 2.1p
 Aberforth Split Level 3p
 Do. Inc. 3p
 Abtrust New Dawn Inv. 0.5p
 Anglian Water 5 1/4% I.L. Ln. 2008 £2.0125
 Boeing 10.25
 Exmoor Dual Inv. Tel. 2.7p
 Gillette 10.16
 Graig Shipping 2.5p
 Do. A/Vig. 2.5p
 Inco 80.25
 Nat. Medical Enterprises 80.12
 Northern Foods 9.27p
 Thames Water 12.8p
 Woolwich Bank, Society Flg. Rate Nts. 1998 £255.14
SATURDAY SEPTEMBER 5
 Joseph (Leopold) 12.75p
 Do. 5 1/4% Un. Ln. 1997/2002 £4.625
SUNDAY SEPTEMBER 6
 Bank of Greece 10 1/4% Un. Ln. 2010 £5.375
 Creditanstalt-Bankverein
 Flt/Fixed Rate Nts 2002 £2583.33
 Dares Estates 8% Un. Ln. 1992/97 £4.00
 Do. 10 1/4% 2nd Mtg. 1994 £7.25
 Weddington (J.) 10 1/2% Db. 1990/95 £5.25
 Whitbread 9 1/4% Rd. Db. 1991/96 £4.875
 Yorkshire Chems 10% Db. 1991/96 £5.00

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CONFERENCES & EXHIBITIONS

SEPTEMBER 9

VAT - The Constant Change

Bravi & Young will be holding an afternoon VAT conference at the Q&B1 Conference Centre, with speakers on The Single Market, Excise & Customs Union, VAT case law, property transactions and recent developments. Fee £24. Contact: Elizabeth Chisley, Bravi & Young, Tel: 071 931 2158 Fax: 071 931 1120

LONDON

SEPTEMBER 9-10

Introduction to Options Course

Part 1 & 2

Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE, 23-11 (day only), £395 (both days). Contact: Gillian Becken, Brady Financial Services, Tel: 0233-423250

CAMBRIDGE

SEPTEMBER 14-15

Successful Selling '92

The premier Conference and Exhibition for sales and Marketing professionals. Open to everyone in selling and sales management who wants to be more productive, more professional and more successful. Free admission to the exhibition. Contact: Institute of Sales and Marketing, Contact: Institute of Sales and Marketing, Tel: 0352-433640

LONDON

SEPTEMBER 14-17

FIRE 92

The national conference and exhibition for the whole fire protection profession. The Winter Garden, Eastbourne, Sussex. Contact: Jane Malcolm-Coe, FMJ International Publications Ltd, Tel: (07371) 768611, Fax: (07371) 761685

EASTBOURNE

SEPTEMBER 15-16

SEABOARD Technology Fair

A two day exhibition and business forum at the Brighton Centre aimed at highlighting the expertise of small and medium sized companies and promoting technology transfer in its broadest sense by extending existing links between manufacturing companies, consultants and Universities. Dr Steven Hamblyn 0273 607890

BRIGHTON

SEPTEMBER 16

Investment and Export Opportunities - Indonesia

A major international conference on the opportunities and issues involved in the dramatic growth of Indonesia addressed by distinguished speakers from Indonesia, the Netherlands and U.K. Contact: Wendy Orr at SGS Tel: 0276 691133

LONDON

SEPTEMBER 17

Quality in Financial Services -

doubtful concept or blueprint for profit?

How do you build Quality into your operation? This conference will demonstrate to you how the principles of Quality can be applied specifically to financial services organisations. Call Ian Douglas on International Conference Group on 081 579 3106.

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SEPTEMBER 17-18

Introduction to M & A in Europe

If you are considering a European acquisition, there is a 50% chance that it could fail. Minimise the risks by taking advice from top experts who will take you through the acquisition maze in Europe. Contact: ACQUISITIONS MONTHLY Tel: 071 823 9740 Fax: 071 801 4311

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SEPTEMBER 18-20

W.D. Gann Workshop/Seminar

By Luc Clemens. An exciting three day opportunity of instruction by one of the most successful Gann traders in America. This course is for Amateurs and Professionals alike. Call 0728-73413 or Fax: 0728-73656 for information pack.

LONDON

SEPTEMBER 20-22

Zero - 3.5 tonne Refrigerated Van Show

The Exhibition for companies affected by the latest UK and EC Food Hygiene Regulations. Wembley Exhibition Centre. Contact: Lorraine Rogers, FMJ International Publications Ltd, Tel: (07371) 768611, Fax: 07371 761685.

LONDON

SEPTEMBER 21

Value Based Planning and

Shareholder Value. Strategic Planning Society Conference. Concepts, techniques and UK experience of this emerging approach to increasing shareholder value. Key speakers: Joel Stern, Stern Stewart, New York; Kenneth Favers, Marsden, London; Pauline D.J. Houlder, Blue Circle; P. McNamara, Lloyd's Bank. Details: Jo Hayle, Strategic Planning Society 071 636 7737

LONDON

SEPTEMBER 21

Creating World-Class Products

CBI/DTI Conferences which considers ways to create a culture of constant innovation by examining the best practices adopted by a range of companies of differing sizes operating in international marketplaces. Contact: Nick Cann, CBI conferences 071 379 7400

LONDON

SEPTEMBER 21 - 22

The 1992 European

Accountants' Forum

'Open Minds Open Markets...Open Risks.' Within the EC and throughout Europe there are widely divergent views about the direction and the problems facing the accounting profession. Learn from the major players in the market. Contact: Anne McElroy, Lafferty Conferences, Tel: 01353-1718022, Fax: (0353-1) 713594

LONDON

SEPTEMBER 23

Business Process Re-

Engineering (BPR)

CBI/Develita & Partners conference, chaired by Brian Redhead, which examines the latest developments in this new, emerging field through practical descriptions by organisations who have undertaken BPR reviews. Contact: Karen Trevis, CBI Conferences 071 379 7400

LONDON

SEPTEMBER 23-24

Introduction to Bonds, Bond

Future & Bond Options. Day 1: Bond Markets, Redemption Yield, Yield Curves, Bond Futures; Day 2: Option Terminology, Option Pricing, CTD, Speculation, Hedging & Arbitrage. Venue: Cambridge Science Park, Cambridge, £245 (1 day only), £395 (both days). Contact: Gillian Becken, Brady Financial Services, Tel: 0233-423250.

CAMBRIDGE

SEPTEMBER 23-25

Introduction to Venture Capital

From generating idea flow to finding an exit for portfolio companies, the exit Institute, taught by senior investment professionals, introduces the principles of venture capital industry using a case study approach. Contact: Catherine Lewis, European Venture Capital Association, Tel: 0232 7230601, Fax: 0232 7253036

LONDON

SEPTEMBER 24

Go for Green - Reap the

Benefits. Enhancing environment practice can be a positive challenge with commercial and ethical rewards. Ignoring these issues could prove disastrous for your company. This Institute of Directors Conference is vital for all Directors and Company Secretaries. Enquiries: Director Conference 071 730 0022

LONDON

SEPTEMBER 24

Education White Paper -

Ideal outcomes? Key education experts will be joined by the Rt Hon John Patten MP who will outline the Government's proposals set out in the White Paper. The opportunity and effectiveness of the proposals will also be discussed. Contact: Sandra Aldred, CBI Conferences, 071 379 7400

LONDON

SEPTEMBER 26-30

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MANCHESTER

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OCTOBER 5 - NOVEMBER 23

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LONDON

OCTOBER 12-13

Managing Financial Risks

SAXONY

Tuesday September 1 1992

Reviving Dresden, Leipzig and Chemnitz: a tale of three proud cities Page 2

A rich cultural heritage beneath half a century of poverty and grime Page 3

Restoring the prosperity of Saxony, once one of Germany's richest regions, is an important task in the difficult and costly reconstruction taking place after the country's east-west reunification. Andrew Fisher reports on progress so far

Hungry to succeed

ONE OF the greatest economic transformations of the century is taking place in eastern Germany, and the exciting, arduous, and highly frustrating process is at its most visible in the state of Saxony.

Anyone visiting the region today would find it hard to imagine that Saxony was once one of the richest parts of Germany, with an industrial tradition that would have kept it at the forefront of European prosperity but for 12 years of Nazi tyranny (including the devastation of the Second World War) and 40 years of Communist domination.

Despite the surge of private and public investment into the state and the intense efforts being made to improve the region's infrastructure, it takes only a brief walk round any city, town, or village to realise that the task of reconstruction is enormous. Many roads are still rutted, rail travel is slow and unreliable and the dirt and neglect of decades is proving hard to scrub away.

Yet the same walk is also likely to reveal enormous progress. Before the Berlin Wall came down in November 1989, and the German border was flung open, East Germany's streets were drab and lifeless,

the range of goods in the shops was pathetic by western standards and queuing was a way of life. Today the queues are gone. Shop windows are varied and colourful and city streets are full of life.

Because the economic, social and psychological relics of the past are proving more costly and time-consuming to overcome than most people expected – and many politicians led them to believe – the transition from communist central planning to the opportunities, and risks, of the free market is accompanied by much discontent and protest, as well as hope and optimism.

On balance, the positive still outweighs the negative in most people's minds. Mr Kurt Biedenkopf, the conservative Christian Democrat (CDU) prime minister of Saxony, constantly quotes opinion polls which show that people in Saxony are still generally more satisfied with their present situation, and with the future outlook, than they were previously. He has never hidden the awkward truth of the real state of the old East Germany, and the immense costs and efforts required to drag it up to western economic standards. "People do not lack confi-



An equestrian statue of Augustus the Strong, once Elector of Saxony, prances in Dresden, the provincial capital

Pictures in this survey by Tony Andrews

dence and they mostly see the future positively," he says. Because he was not one of those who painted too rosy a picture of prospects in the election year of 1990, people in Saxony are mostly prepared to believe Mr Biedenkopf when he talks of the tremendous opportunities in store for the state. Certainly, the local Social Democrat (SPD) opposition has no-one with anything like his stature, and knows full well that attacking him would not bring it popularity.

One of the strengths of Saxony, with a population of 4.9m, is its strong sense of identity – although the communists tried to obliterate this when they abolished the individual states. Cities in Saxony, notably Leipzig, were a powerful source of grassroots opposition

to the scorned regime of Erich Honecker in its final days. Like Dresden, Leipzig had been in constant struggle with East Berlin, the former East German capital which enjoyed extensive political and economic privileges.

Today, Dresden is the capital of Saxony, with Leipzig developing as a commercial and financial centre. Both places are full of building sites, around which essential road repairs and improvements cause constant traffic hold-ups. But these inconveniences show the speed at which reconstruction is proceeding, despite the horrendous handicaps of property disputes, administrative delays caused by inexperience and the sheer weight of work, and the economic disruption stemming from the collapse of

the old economic system.

The challenge is inspiring, however, and often dispiriting. Numerous officials, managers and other experts have come from the west to participate in the economic, political and social rebuilding of Saxony. With good accommodation in short supply (and outrageously priced when available), and a crushing workload, such a degree of commitment is not to be entered into lightly.

One such "transplant" is Mr Rüdiger Thiele, state secretary at Saxony's economics ministry and a former senior official in the Bonn Chancellery. Like many of his colleagues in Dresden and in the rest of the state, he sees the task of restoring the state's prosperity as invigorating, essential in the creation of a new identity for a

country still coming to terms with unification between the capitalist west and the once-communist east.

"In west Germany, people have become rather snug and self-satisfied," Mr Thiele says. "Years of prosperity make people lethargic. Here, people are hungry to succeed. A new generation is developing which has to be tough to be successful against the established systems and structures of the west."

This view is in line with Mr Biedenkopf's assertion that east Germans are capable of bearing more economic and social burdens than people in the west because of efforts they have made to break with the past and their belief that their lives will improve. For the moment, though,

they are living in a very uncertain present. Unemployment and short-time working are high. The least competitive, most inefficient, and most environmentally offensive of the old companies have closed; the survivors struggle to become more productive by shedding staff and closing peripheral operations.

A new layer of *Mittelstand* (small- and medium-sized) businesses is growing up in what was formerly East Germany to provide a much-needed dose of entrepreneurial vigour. Under the old regime, these were squeezed into big industrial combines, so that the *Mittelstand's* contribution to economic prosperity, vital in West Germany, was crushed.

At this stage it is hard to assess the impact *Mittelstand*

companies will have on Saxony's economy, or how robustly they will develop. More attention has been directed to the big headline investments such as those of Volkswagen, Siemens and other German and foreign concerns. It is these which give Saxony a positive sense of its economic destiny, and offer hope that today's tribulations will be tomorrow's successes.

But Saxony's future also depends on the survival of its cultural heritage, kept alive through the years of dictatorship and Stalinism. This ranges from the big opera houses and orchestras of Dresden and Leipzig – where Kurt Masur, a key figure in the events that toppled the East Berlin regime, conducts the famed Gewandhaus orchestra – to smaller establishments around the state. While these are a vital part of Saxony's attractions, they are proving increasingly hard to pay for.

It is unclear how far Bonn will continue helping to finance Saxony's cultural assets. Mr Hans Joachim Meyer, the English professor who is minister for science and culture, is doing his best to prise more money out of the German federal government. But the provision of funds for culture depends on the health of the economy, and the Bonn government is trying desperately to control the flow of money to the east.

"We have to accept the need for a prolonged period for the reconstruction of east Germany," Mr Meyer says. "People here will have to accept lower standards of living for a longer time and people in west Germany will have to pay for the east for longer."

In Saxony, people are resigned to some difficult years before their efforts and patience pay off. When they do, however, the state will be ready to take its place among the most prosperous and vibrant, as well as scenically attractive, parts of Germany.

Past economic mismanagement carries a high price tag

Industry battles to catch up

past, linking up with that tradition after more than 40 years of central planning is proving costly and traumatic. Few local companies can survive in their pre-unification form, if at all, a notable exception being Meissen, the renowned porcelain manufacturer.

As in the rest of East Germany, industry in Saxony was subordinated to the ruthless demands of communist planners. Production targets came before environmental needs, selling to eastern Europe took precedence over satisfying local consumers, and industrial concentration supplanted diversity.

The sorry results are plain to see. Industry lagged well

behind western standards of innovation, technology, and productivity as output was forced ahead and investment neglected. With the coming of the D-Mark, the unsustainability of many products for western markets and the unrealistic cost basis of East German industry were ruthlessly exposed. The collapse of Comcon was a further blow.

Among the hardest hit sectors have been textiles, electrical and electronic goods, iron, steel, and metalworking, timber and plastics processing, and engineering. Because Saxony accounted for a third of East Germany's industrial output, the state is paying the price for economic mismanage-

ment. While unemployment is below eastern Germany's average, at about 14 per cent or 326,000 people, a further 101,000 are in temporary job creation schemes, 150,000 are being retrained, and 122,000 are on short time. Many more have simply retired early.

Investment to create new jobs is flowing in, but it will take years before Saxony industry catches up with the west. Along the way, though, the state will obtain some of the world's most modern facilities. Apart from big corporate investors such as VW, Siemens, Bosch, MAN, Linde, Quelle, and Degussa from Germany and Philips (Netherlands), Enso-Gutzeit (Finland), the

Swiss-Swedish ABB, Tarmac (UK), Coca-Cola, and Philip Morris (US) from abroad, there is a high volume of spending on new infrastructure.

By the end of the century, some DM15bn will have been spent on telecommunications in Saxony. Last year, DM1.8bn went on roads and DM2.5bn on the rail system, with DM2.75bn being spent this and next year on the energy network. Large sums are going on the refurbishment and reconstruction of public buildings and facilities. "Saxony had the telecoms and traffic infrastructure of 1939," says Mr Rüdiger Thiele, state secretary at Saxony's economics ministry. Large though the flow of

new business investment may be – some DM50bn, including future spending commitments – it lags behind the region's needs. Officials would like more foreign investment. "Foreign companies can't ignore east Germany and Saxony," says Mr Walter Rogg, chief executive of the Saxony Economic Development Corporation. "Lots of companies are waiting to see how things develop. The infrastructure

It is mostly German companies which have taken the investment plunge

will be better later, but financial incentives will not be so generous and the best workers will have been taken."

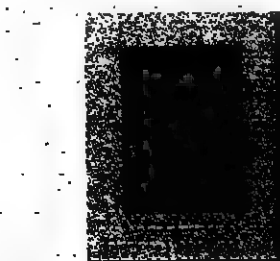
Mr Helmut Wotte, head of the Dresden branch of the Treuhand, the East German

privatisation agency, agrees. "We need a more international touch in our investments. Some companies, like the Japanese, want hard and fast information; they are only interested in companies they can assess under their own standards." Yet companies in Saxony have not reached the stage at which this is possible.

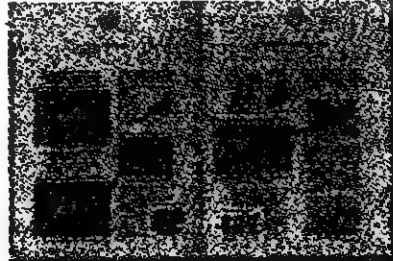
Hence it is mostly German companies, motivated by both national and business considerations, which have taken the investment plunge. It is not only in manufacturing, construction and services where this has occurred. They were also quick to snap up opportunities in the food and drink sector, where investment in breweries, dairies, slaughterhouses and other facilities is likely to total about DM3bn. Saxony's beer and wine, at least, will survive the transition to the free market.

Andrew Fisher

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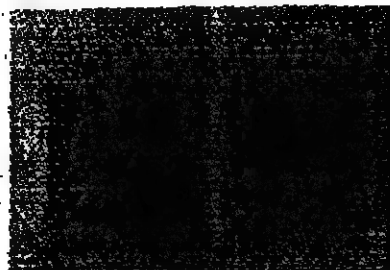
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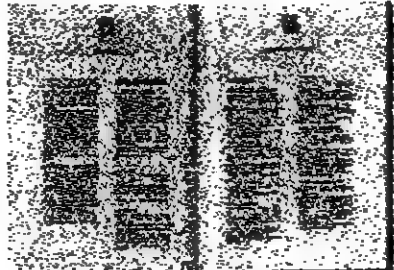
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SAXONY 2

Andrew Fisher looks at the region's largest corporate investment

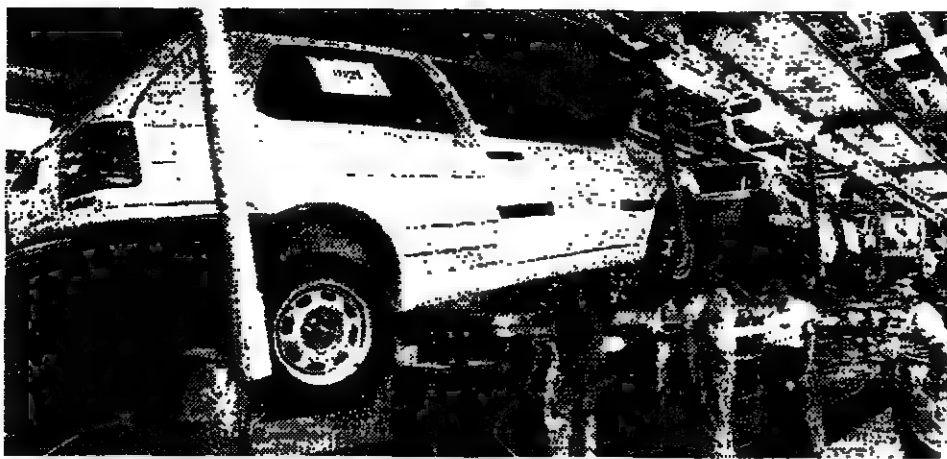
VW takes economic lead

VOLKSWAGEN is the most obvious symbol of Saxony's economic regeneration, hesitant though that may yet be. At Mosel, near the town of Zwickau, VW already employs 2,300 people and will have twice that number in two years' time.

Visitors to the Mosel site, where a big plant is being constructed, are guided along the country roads by the VW emblem which the local authorities have allowed to be painted on to their signs. VW did not have trouble persuading them. It is investing nearly DM5bn in east Germany, the most of that in Saxony, at the Mosel car plant and the Chemnitz engine facility.

The presence in Saxony of the largest corporate investment in east Germany is proof enough, if proof were needed, that this is the region with the best chance of economic success. "Every investment has a symbolic character," says Mr Gerd Heuss, general manager at VW Sachsen. "But this is also an investment with new standards of technology and equipment."

From the mid-1990s VW will produce up to 250,000 cars a



The new Volkswagen Golf in production near Zwickau: trying out new techniques

year from the new plant being erected beside the building where the chocking little Trabants - the butt of numerous jokes - were made.

VW is already assembling cars in the existing building - completely revamped, the products and manufacturing methods are light years away from those of the Trabi days. In July, in Mosel, VW started production of its latest Golf model. It aims to turn out a daily aver-

age of 380 cars next year, having reached 250 a day in 1992 with the old model. The new plant will be capable of 1,300 a day from 1994.

VW is already trying out some new techniques which will be used in the new facility. Whole "front-end" assemblies of bumpers, lights, grilles and radiators are delivered by a local supplier and inserted straight on to the car. The same is true of instrument pan-

els, wheel and tyre units, seats and other units.

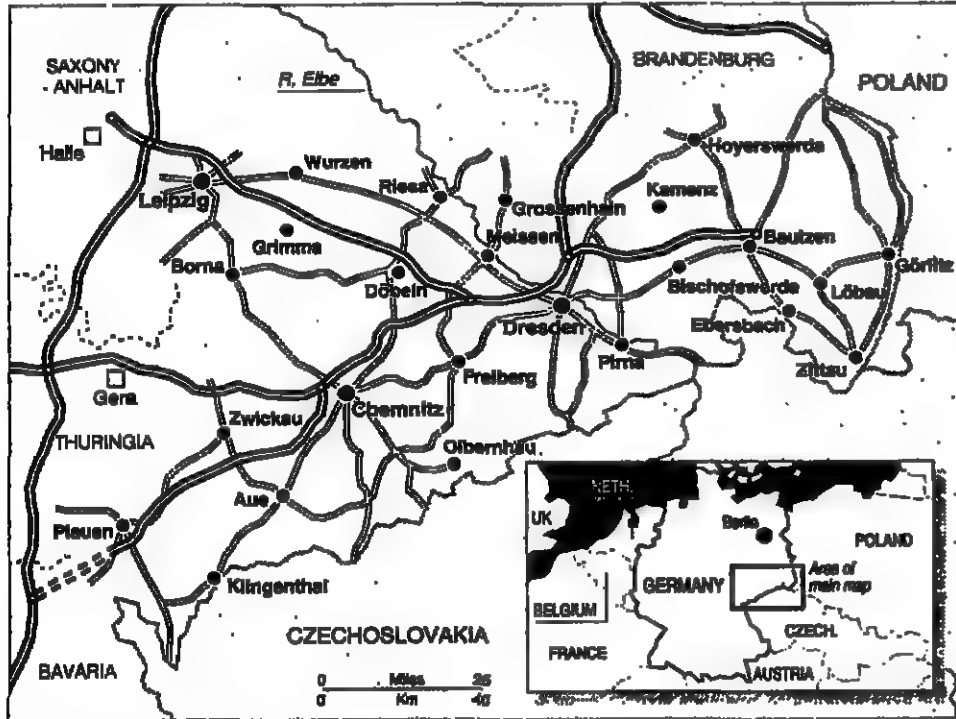
Components makers such as Siemens, VDO, Alibert of France and Britain's GKN have already set up local operations. VW works with nine components system suppliers and plans to raise this to 15. Mr Heuss says VW hopes to save up to 15 per cent of component costs - parts and materials account for some 60 per cent of total manufacturing costs - by having assembly systems delivered as they are needed.

The benefits for the area are already considerable, though Saxony as a whole is afflicted with the same economic upheaval as the rest of east Germany. Zwickau, an historic town which once drew its prosperity from the silver mining in the nearby hills, is undergoing a revival as the result of VW's nearby presence.

Apart from jobs at VW, at least 20,000 more will be generated at supplier companies by its investment in east Germany, also including a cylinder head plant in Eisenach, Thuringia. Most of these supplier jobs will be in Saxony. VW now buys DM1bn worth of east German-made parts a year.

One part of the new Mosel plant is already operating. With the help of 133 orange robots, body panels are made for the Golfs being assembled next door. All that remains of the old days is the sight of a few Trabants in the VW car park.

Andrew Fisher



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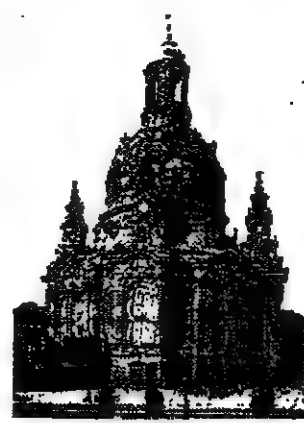
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DRESDEN

Where they spend it



The Frauenkirche before the bombing of Dresden in 1945

DRESDEN, the state capital of Saxony, is a city with a magnificent and turbulent past and a potentially glittering future. The present-day reality contains elements of both, as Dresdeners struggle bravely with the frustrations and hopes of recapturing the city's former prosperity and elegance.

The past can be seen from the views of Dresden in its heyday painted by Canaletto. High over the baroque city, sited so dramatically on the River Elbe, soars the Frauenkirche (Church of our Lady), the beautiful domed protestant church.

When Dresden was battered by Allied bombs early in 1945, the Frauenkirche collapsed, its baroque heritage seemed lost for ever, and Gerhard Hauptmann, the Nobel prize-winning author, was moved to utter the cry that has become part of the city's legend: "Those who have forgotten how to cry will learn again through the destruction of Dresden."

The Frauenkirche is still in ruins, but strenuous efforts are being made to raise funds for its reconstruction. Other renovations are under way. The baroque Zwinger Palace, built in the reign of Augustus the Strong, Saxony's

ruler in the early 18th century, is being smartened up. Most ambitious of all, the elector's palace is being wholly rebuilt. All of these buildings were severely damaged in 1945. Under four decades of commu-

nist rule, more old buildings were swept away, leaving Dresden, and its 522,000 people, with its fair share of bleak, nondescript apartment and office blocks as well as districts that have survived war and need refurbishing.

Through all its hardships, the city's heart has continued to beat strongly. As Saxony - like the other east German states - has been recreated under German unity, so has its state capital regained its pride and identity.

Dresdner Bank, headquartered in Frankfurt, was quick to open up premises in the city of its origin. Mr Kurt Biedenkopf, the state premier who made his political name in west Germany, presides over the government in an imposing building overlooking the Elbe.

In summer, open air cafes and restaurants are buzzing and the view from the restored Brühl Terrace above the Elbe,

with its broad riverside meadows, allows a glimpse of Dresden's past glories.

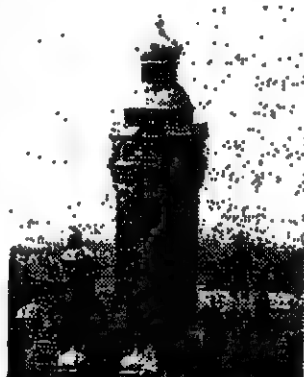
For the inhabitants, however, there are more urgent and mundane considerations. The city's infrastructure is in a woeful state, housing is inadequate and social tensions have increased. The city council is having a hard time grappling with these problems, hampered by inexperience and lack of money.

In time, the hurdles will be overcome. With a rich cultural history - Wagner grew up there and Kokoschka painted there - its breadth of academic and scientific institutions, and status as capital of a state striving to revive its former industrial prominence in Germany, Dresden promises again to become one of the most fascinating and exciting of European cities.

Andrew Fisher

LEIPZIG

Where they trade it



Once and future glories: the centre of Leipzig

IF THE people of Leipzig have one thing in mind when they look towards the future, it is that they want to recreate the glories of the past.

For many centuries the city was an important trade, manufacturing and cultural centre. Leipzig's role as a trade centre dates from 1165, when it was granted the right to hold markets. Its university was founded in 1409. Johann Sebastian Bach was cantor of its Thomas Church for 27 years; Richard Wagner was born in the city.

Before the war, Leipzig was as important an industrial centre as the Ruhr. More recently, its 1989 mass demonstrations helped provide the momentum which led first to the fall of the Berlin Wall eventually to reunification.

The old town centre did not suffer as much as Dresden during the last war and so Leipzig is one of the more attractive cities of east Germany. A drab communist past is rapidly being swept away as new vitality enters the city.

With branches of 60 banks established in the city, Leipzig is now rivaling Düsseldorf as the second most important financial centre in Germany after Frankfurt.

Marketing, advertising agencies and public relations companies are choosing Leipzig as

than the near 13 per cent figure for Saxony as a whole. Although unemployment in Leipzig is gradually coming down, Mr Claus Von der Decken, a Potsdam-born engineer who worked in the west before returning to Leipzig to run the local branch of the Treuhand, says the general business climate is less favourable than it was last year. "The chief difficulty is that wages have gone up faster than productivity," he complains, "and wages are much cheaper across the border in Czechoslovakia and Poland."

For Hannes Buss, who has just exchanged a comfortable post in Augsburg for that of head of Leipzig's business promotion bureau (Amt für Wirtschaftsförderung), the main task for the coming year is to "go on the offensive" in order to attract industrial investors.

He regrets that for all Leipzig's attractions as a business centre, it has failed to draw investment from west German car manufacturers or printing machinery companies. "The

potential is there, the workforce is well-educated and adaptable, and the infrastructure will soon be fully in place."

Investment tends to be in the service sector. An ambitious example is that of SachsenLB, the newly created regional bank serving the government of Saxony and savings banks.

The bank, which will also pursue commercial business, is to employ 350 people by 1994-95, a five-fold expansion from the present headcount. Its shareholders, which include the Südwest LB (the Stuttgart-based Landesbank for South-West Germany), are investing a total of DM500m.

On a larger scale are plans to invest DM1.2bn in new premises for the old trade fair. Its former role as a bridge between the communist world and the west has vanished and it is now concentrating on housing fairs in three areas: the environment, transport and industrial technology.

David Waller

CHEMNITZ

Where they earn it



Marx's head: all that remains of the Chemnitz statue

THE CITY of Chemnitz had the dubious distinction under the East German communist regime of being renamed Karl-Marx-Stadt - a move quickly reversed when the political tide turned.

Yet the communist philosopher's huge stone head still dominates the city centre and there are no plans to remove it. In spite of the unfortunate associations with the past, the city is keeping Marx as an inhabitant.

His presence has nothing to do with any links between Marx and Chemnitz, Saxony's third largest city with nearly 300,000 people. The only connection is that Chemnitz has long been an industrial centre - it was known as Germany's Manchester - with a strong working class tradition.

People there like to repeat that "Chemnitz is where the money is earned, Leipzig where it is traded and Dresden where it is spent." Chemnitz lacks the attractions of the other two. It was badly bombed in the last war, rebuilt on grim utilitarian lines and is now struggling to readjust itself as its industry suffers in the transition to the free market.

From the heyday of silver mining in the nearby Erzgebirge ("ore hills") in the Middle Ages, through the textile boom of the 19th century, to engineering and cars in the modern industrial era, Chemnitz has been at the centre of economic development in Germany and Europe.

"Chemnitz was the cradle of

everything itself, as was common under the former regime. In those days it employed 1,800.

The same process is taking place at Hecker, a name well known in the industry but clouded by uncertainty. Hecker, which makes machine centres and milling machines, has cut jobs from 4,300 to 500 and is slimming down its product range and size to a profitable level. "Hecker was the flagship of the East German machine tool industry," says Mr Wolfgang Sittig, joint managing director.

The company is far from enjoying that role in a united Germany. Now that the Russian market, which took 80 per cent of sales, has collapsed, Hecker has to make its way in the west, where the industry is in hard times and potential buyers are thin on the ground. Yet the mood is determinedly optimistic. "It is costing us a lot of sweat, but we think we will survive," says Mr Manfred Friedrich, Hecker's other joint manager.

The survival mentality is strong in Chemnitz. New business parks are planned and improvements to the infrastructure under way. But the economic turmoil is tremendous, with only around a fifth

of the jobs from the old GDR remaining.

This is especially true of sectors such as textiles where low-cost foreign competition is intense. New jobs are not being created fast enough and half the working population is jobless or in job-creation and training programmes.

There are positive signs. Some are economic, such as the robust commitment of Mr Jakob Langenauer, a Swiss businessman, to the textile machinery company, Chemnitz-Werkschneiderei, which he now heads after his imagination was captured by the fall of the Berlin Wall. "Confidence is the most important thing in competing with western companies. People here are well educated, intelligent, and ready to work together," he says.

In December of this year, the reopening of the restored Opera House at Chemnitz should help confidence along. It was here, for the first time, that Wagner's *Parsifal* was performed outside Bayreuth. For those with the patience to sit through it, *Parsifal* will again be staged in Chemnitz this year.

Andrew Fisher

Philips overhauls a telecommunications factory

The dinosaur wakes

THE STAIRWAYS at Philips' telecommunications factory in Bautzen still bear the unmistakable look of the old East German style of industry: crumbling concrete and a few faded photographs of local landscapes.

But inside the offices, and in the main assembly shop, it is obvious that an important overhaul has already taken place. New computer terminals stand on the desks, new carpets line the floors, new paint covers the walls and, in the assembly shop, there are new production lines.

Little expense has been spared to transform the scruffy old plant producing transmission equipment for the Soviet and Comecon markets into a new operation catering for the mighty Deutsche Telekom's rather more demanding requirements.

From the moment unification became a reality, it was obvious that telecommunica-

tions would be one of the first and biggest markets to be opened up for western suppliers.

The East German network lagged far behind the west in both density and sophistication, its development hampered by western restrictions on technology exports and East Germany's mania for keeping communications under the control of its security services.

Deutsche Telekom plans to spend DM55bn by 1997 to bring the new federal states up to the level of the old.

PKI (Philips Kommunikations Industrie) - the Nuremberg-based German telecommunications subsidiary of the Dutch multi-national, already

an important contractor to Deutsche Telekom - could have easily produced the necessary transmission equipment back in the west. It decided instead to invest in the east.

"It was clear from the start that whoever wanted to be in there would have to get a base in the east," says Mr Uwe Bartsch, administration manager at the plant. "Deutsche Telekom decided it would favour those contractors who had investments in the region."

This was undoubtedly the most important reason why Philips came to Bautzen. A second consideration was the prospect of opening up new markets in eastern Europe.

"Before unification, the factory in Bautzen exported up to 80 per cent of its products to the rest of Comecon. They had excellent contacts with the East, where we had no real contacts at all," Mr Bartsch said.

So Philips bought RFT Fernmeldewerk in Bautzen from the Treuhand privatisation agency for an undisclosed sum, promising to keep at least 350 jobs of the 1,000 employed there, and drawing up an investment programme totalling DM75m.

Today the plant has been substantially modernised and about DM36m of the investment cash has been spent.

Continued on Page 3

SAXONY 3

ONE OF the ironies of German unification is that the appalling pollution which used to poison the air of East Germany has dropped dramatically — not because of any great clean-up campaign, but because half the industries which caused the problem have closed down: cleaner air has come hand-in-hand with unemployment.

And yet the inheritance of environmental havoc wreaked by the former communist regime, and by the Soviet army of occupation, promises to be a burden on the impoverished communities of the east for decades to come.

If the whole of East Germany was an environmental disaster area, the state of Saxony can claim to be the worst affected region of all.

Dr Dieter Angst, the appropriately named state secretary for the environment in Dresden, says that in the west environmental debates are largely ideological. "There we were just debating about figures after the decimal point," he says. "Here we are talking about tonnes. We are carrying out emergency repairs to the environment here, not preventive treatment."

The problems he has to tackle are all too obvious. In the north and east are the huge expanses of open-cast brown coal mining: great lunar landscapes, dotted with abandoned machinery, pits, and pools of stagnant water, where nothing has ever been contemplated to

Quentin Peel examines the environment

Crash clean-up

return the land to nature. In the south and west, the mining devastation has been caused by the desperate search for uranium to supply the Soviet nuclear weapons programme in the 1950s, 1960s and 1970s — rape-mining, they call it in the Erz mountains.

Dr Gü Häsel, a geologist in the mining industry, tries to explain how it happened. "At first we could see how the mines were being allowed to collapse and deteriorate," he said. "But then we got used to it. We had no opportunity to compare our conditions with the outside world. So then you ceased to notice it any more."

The uranium mines (run as a "state within a state" with virtually their own laws and permits by the Soviet-German Wismut enterprise) sold arsenic-rich radioactive tailings for road repairs and farm construction.

Some went into the floors of milking parlours. "It was only when they realised the milk was radioactive that they traced it back to the mines," Dr Häsel said. "They simply did not care. It was criminal irresponsibility."

In spite of the industrial closures, air pollution is still far above western and European Community norms. By 1996, Saxony has to reach the EC standard of a maximum of 2,500 mg of sulphur dioxide per cubic metre of foul air from its brown coal-burning power stations. At the moment, Dr Angst says, the level is somewhere between 3,300 and 12,500 mg. Leipzig and Chemnitz are the worst affected.

Yet the most urgent environmental problems with which the state government must deal are perhaps the least obvious: providing clean drinking water, and sewage treatment systems.

Where drinking water is concerned, both surface water and underground reservoirs are heavily polluted by chemicals, heavy metals, and nitrate fertilisers — the highest priority for treatment.

If anything, the sewage problem is worse. At least 90 per cent of the population has access to water mains. Most have no proper sewage treatment system at all.

Dr Angst calculates the entire cost of

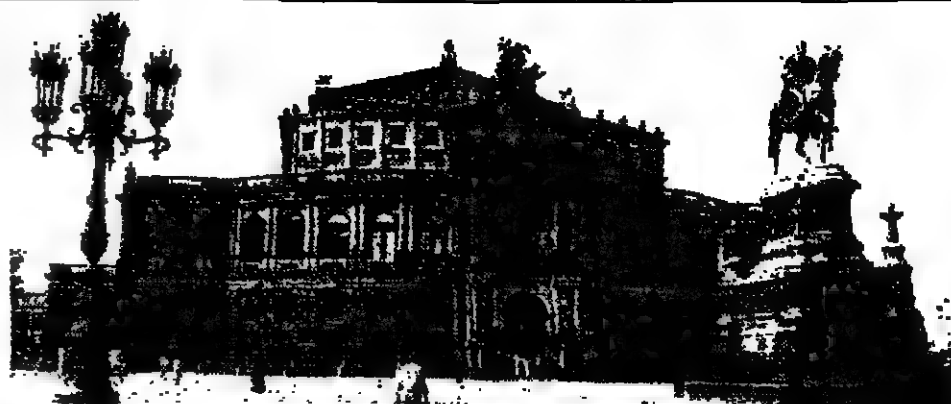
environmental repairs to the land alone at DM11bn, he has an annual budget this year of DM684m. More than DM500m of that goes on sewage treatment, clean air programmes, rubbish collection and disposal.

Yet the only pollution which is the responsibility of Bonn is that caused by Wismut. Everything else is supposed to be paid for by the Saxony government and the bankrupt local communities.

"Our first task is to avert the immediate dangers, which means cleaning up the water and air," says Dr Angst. "I don't have to recultivate the brown coal mining areas immediately. Nor should we borrow for these long-term projects."

But the popular feeling is that, after years of ignoring it, suddenly everything must be done, and done by the state. The thinking is coloured by this situation where the state did everything: this incapacity, this abrogation of decision-making, is still all-pervasive. People don't and won't think how they should resolve their problems themselves.

Bringing the eastern environment up to western standards is going to be a very long and expensive haul, and one which will fall overwhelmingly on the public purse. It will take 10 years at least to reach those standards on clean air, as far as the land and water are concerned, it will probably be a battle lasting 30 years.



The Semper Opera House in Dresden: "we have to keep up the artistic rhythm"

Cultural tradition is vital to attracting investors

Trumpet it loud

"WHEN Saxony's cultural landscape was created, the region was one of the richest in Germany. Today, it is one of the poorest," says Mr Hans Joachim Meyer, the state's minister for science and culture.

That, in a nutshell, is the nature of the problem faced by Saxony and the rest of east Germany as officials wonder how all the theatres, opera houses, orchestras, museums and other cultural assets are to be paid for at a time of increasing financial stringency in Bonn.

Compared with the rest of east Germany, Saxony has by far the best chance of prosperity once economic reconstruction is completed. But when viewed against the west German states, it is, as Mr Meyer points out, poor indeed.

Around 60 per cent of east Germany's cultural institutions (excluding former East Berlin) are in Saxony. They range from the grand and world-renowned, like Dresden's Gewandhaus Orchestra, to humble and little-known local museums and theatres. Even the survival of the most famous music and theatre houses is not entirely without doubt. Bonn's politicians, alarmed by the cost of unity, are proving tough.

Yet the continuation of Saxony's cultural traditions is vital to its economic and financial health. Visits to the opera, to the art and historical museums, and to Saxony's gracious palaces such as Moritzburg and Pillnitz are essential elements in the itinerary of visitors, whether from Germany or abroad. The range of cultural attractions encourages companies, with managers and their families, to move to the state.

"In Germany, a city with no

culture attracts no investment," is the blunt comment of Mr Peter Fittig, the councillor responsible for culture in Chemnitz, a city whose bleak post-war architecture is relieved by its elegant Opera House, whose restoration is nearly complete. While his may be an extreme view, it contains plenty of truth.

Yet while it seems inconceivable that Saxony could lose any of its cultural heritage, the need to find more funds to help pay for the 250 museums, 19 big theatres and orchestras, and numerous other facilities is acute. In the unity treaty, the Bonn government agreed to pay DM900m towards the financing of east Germany's cultural assets. This was cut to DM750m this year and the 1993 figure has been slashed to DM550m.

Saxony receives the lion's share of this money (which also goes to east Berlin), with 42 per cent. But the latest reduction is proving the last straw. "This is totally unacceptable," says Mr Meyer, who has written a sharp letter to the Bonn minister responsible. At DM900m, Bonn's contribution represented half the cultural financing needs of the eastern states; at DM550m, it will be only 10 per cent. The states and local authorities of east Germany are in no financial state to make up the difference themselves. Local authorities of all five states will have to raise their budget spending on theatres and orchestras from DM130m to DM317m at a time when they are heavily in deficit.

Inevitably, cuts will be made. Mr Meyer, a professor of English, says these have started. A committee of experts from all over Germany is looking at solutions and prominent cultural figures such as

Ludwig Guttler, trumpet virtuoso with the Dresden Philharmonic, are doing their best to lobby the Bonn politicians.

The present situation is very unsettling, says Mr Wolfgang Schönfeldt, business head of the Semper Opera. "We have to keep up the artistic rhythm — uncertainty is damaging." The opera house's annual budget is around DM60m, only around DM10m of which it can meet itself; the rest comes from state and federal funds. "Next year, we will need DM80m," he says. Wages are going up and guest conductors and soloists will not always settle for low fees.

Mr Schönfeldt needs to find another DM1.5m just to pay guest performers at this year's three remaining premieres: Richard Strauss's *Arabell*, Gluck's *Orpheus and Eurydice* and a mixed ballet evening. Next year, it hopes to mount an ambitious ballet of Herman Hesse's novel, *Siddharta*, in line with the Semper Opera's status. Mr Schönfeldt reckons it will soon require an annual DM100m a year, similar to the yearly budget of the comparable Munich opera.

What about sponsorship? Corporate funds are being sought, but cultural sponsorship is less developed than in the US or Britain. Mr Meyer believes sponsors are needed, but as a supplement to state support, not a replacement. It seems inevitable that some of Saxony's theatres and orchestras will be amalgamated, with some disappearing. With modern transport, however, not every town needs its own stage and musicians. "Sometimes," jokes Mr Meyer, "it is said that Saxony's orchestras are so close together that they can hear each other if they play loud enough."

Andrew Fisher

PROFILE: KURT BIEDENKOPF

Straight talk helps



Biedenkopf: well-argued optimism about the future

"There is no precedent for what we are doing," he says of the monumental task of dragging what was — if only for four decades — a separate country into the modern economic and industrial world. He believes East Germany would have collapsed anyway in a few years if its citizens had not taken to the streets and toppled the Honecker regime.

Mr Biedenkopf, was one of the first to assess the real cost of unification with east Ger-

many, whose economy turned out to be industrially and economically more moribund than most experts thought. The stagnating East German system, he says, was kept going by exploitation of the people, the economy and the environment. "But every exploitation comes to an end, since there is nothing left to exploit."

Politically, Mr Biedenkopf, a legal professor, has always been a thorn in the side of Chancellor Helmut Kohl. Mr

Biedenkopf may be a lot smaller than the towering Mr Kohl, but he is intellectually faster on his feet and is not shy of showing it.

But while he is sure of his own views, Mr Biedenkopf has been careful not to appear arrogant, know-all westerner, something of which long-suffering east Germans have had enough experience.

He makes the point that Saxony, before the 1918-18 war, had the highest per capita gross national product in Germany, higher even than the industrialised Ruhr. Like neighbouring Bohemia, in Czechoslovakia, "Saxony played a pioneering role in European industry".

Even after 45 years of communism, he believes this can be revived. Volkswagen is building a car plant near Zwickau, Siemens is investing heavily in the state and Dresden Bank has returned to its original home. But it will be a long haul before economic and social conditions are akin to those in the west. "It will probably take a generation".

Mr Biedenkopf is confident that the Saxons, and other east Germans, can take the strain in the intervening years. "The

PROFILE: HEINZ EGGERT

Committed rebuilder

HEINZ EGGERT is a tall man whose casual dress and spontaneous manner belie his inner toughness. He has forthright views about how Germans in east and west should react to unification and is not shy of expressing them.

His candour does not look or talk like a typical minister, although he has headed Saxony's interior ministry for almost a year. Mr Eggert, has brought to the job the committed outlook of one who suffered under the old regime and is determined a new start should be made.

"I want to see that yesterday's people don't become tomorrow's masters," he says. "I don't want our children to experience what we went through."

Thus he is prepared to work an exhausting day from 7.30am until 11.00pm. Often, he goes out later to tap the views of people in the bars and cafes, especially those frequented by extreme left- or right-wingers.

He is unsure whether he will continue with this gruelling job after the legislative period ends in 1994. He sees little of his wife, four children, dog, and 12 rabbits. What keeps him going is the huge task of rebuilding an administration



Eggert: 'It is the challenge of the century'

which will oversee the painful transition to the free market. Having been hounded by the Stasi (security forces) himself, he even found out his doctor had given him energy-draining drugs — the railway worker-turned-theologian has thrown himself wholeheartedly into his new task.

"German unification has brought enormous opportunities for Germany and Europe, but these also mean enormous responsibilities. We have to shoulder these," he says.

It has meant harsh decisions. Even before he took on the minister's job in Dresden, he dealt severely with former members of the old regime

when head of the council in the small town of Zittau, near Czechoslovakia. While believing people can change for the better, Mr Eggert has no patience with those who made others suffer.

"I can't tolerate the use of taxpayer's money to pay people who used their positions to harm or degrade others," he says. The obvious cases — those who worked or informed for the Stasi — have been dismissed, including 800 police officers. But there are numerous cases of people whose careers were intertwined with the old regime and who are now hard to remove under west German law.

Mr Eggert finds this frustrating. "The legal apparatus of west Germany is not suitable for a time of reconstruction in the east after 40 years of communist dictatorship". Also taking up time is the need to deal with extremists, particularly those on the right who have whipped up violent resentment against foreign asylum-seekers at a time of acute economic and social uncertainty.

In Mr Eggert's view, the fundamental problem goes beyond the housing shortages, unemployment, rising prices and other upheavals. West Germans should be ready to give up some of their cherished prosperity and advantages to help those in the east rebuild their lives. They should not see unity as something to be simply welcomed as if nothing had really changed. "It is the challenge of the century".

But east Germans, too, should not hark back to the simplicity of the old days, when pressures were fewer, though living standards were lower. He feels that the press, unbacked after cravenly looting the party line, expresses a far more negative attitude than east German people themselves.

Quentin Peel

Andrew Fisher

The second economic miracle in Germany

The Central European economy is continuing to expand at a dynamic rate. Traditionally the regions of Saxony, Bohemia and Silesia have acted as the industrial heart of this Continent.

Unfettered once more, Saxony with all its economic potential is again competing in the international market. The economic recovery is already evident: the founding of more than 100,000 enterprises since



Saxony at its best

With almost 300,000 inhabitants, Chemnitz is the third largest city in Saxony. It is also the seat of government of one of the three Saxon administrative districts.

The Saxon metropolis inherits and upholds a glorious industrial tradition. Through 825 years of history, the "German Manchester" has successfully been the centre of the textile, machine-tool, automotive, electronics and computer industries. All over the world, "made in Chemnitz" became synonymous with high quality. And today, because of the



Busy in Chemnitz



Völckers King & Co, Hamburg based property consultants within the international King & Co Group and one of the first West German companies to open offices in East Germany, has 140 years of property experience. The Chemnitz office, established in 1990, possesses unrivalled market information stemming from the disposal of DM 150 Mio worth of property. With offices in Berlin, Leipzig and Dresden, each with specialist regional knowledge and bilingual ability the company is well placed to provide property advice in East Germany.



The HECKERT-Chemnitzer Werkzeugmaschinen GmbH is considered one of the most important enterprises in Saxony. As a manufacturer of modern working centres and conventional milling machines the company represents the tradition of German machine-tool manufacturing in Chemnitz. A high level of technical knowledge, modern assembly methods and skilled personnel ensure the production of quality products with optimal efficiency and economy which have proven successful with many national and international customers.

HECKERT — A genuine alternative.

the wall has fallen underscores the leading position of this industrial area in the new Germany — and in the new Europe.

With strong trade connections formed in recent decades to Eastern Europe and the opening up of extensive new markets, Saxony has taken up the challenge of the future.

surprisingly good levels of infrastructure. It can once again be said that all roads lead to Chemnitz!

Chemnitz has always been, chiefly, a city of science and culture. A unique, multi-faceted cultural and scientific landscape was able to grow through the continuous interaction between the city and the surrounding industry. At the Technical University, at the Fraunhofer Institute, and in the research departments of various enterprises, cooperation between science and business lays the foundation for the city's economic success.

Chemnitzer Webmaschinenbau GmbH



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Setting up your enterprise in Chemnitz

The economic reorganization of the Chemnitz region is in full swing. The Treuhandanstalt is privatizing many companies; workers and employees are learning new skills; the Federal government has started a special development program called Aufschwung Ost; regional development measures, investment subsidies, state and federal guarantees, and low interest loans under the European Recovery Program are available. Building on this ground, the

Chemnitz region is about to become one of the most modern industrial areas in Europe. The industrial profile of Chemnitz is already clearly characterized by the settlement of small firms and the investment projects of such concerns as Siemens and Volkswagen. Chemnitz makes it possible! For detailed information, please contact the City of Chemnitz, Office for Economic Development (Wirtschaftsförderung).

We're here for you!

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D-9001 Chemnitz

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Foto: Lamp, Chemnitz

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CANADA																				
Sales	Stock	High	Low	Close	Chg	Sales	Stock	High	Low	Close	Chg	Sales	Stock	High	Low	Close	Chg	Sales	Stock	
TORONTO																				
2 pm August 31																				
Quotations in cents unless marked \$																				
2300 Alcoa P	\$14 1/4	14 1/4	14 1/4	-		1000 Drexler A	35 1/2	35 1/2	35 1/2	+		4000 Steele R	51 1/2	51 1/2	51 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
16700 Agilent E	\$25 5/8	25 5/8	25 5/8	-		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
14000 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20400 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
1000 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20400 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2	13 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2
20700 Alcoa P	\$14 1/4	14 1/4	14 1/4	+		30000 Cant Sys	32 1/2	32 1/2	32 1/2	+		2000 Ticonderoga	\$13 1/2	13 1/2</						

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Fisher	Stocks traded	Closing price	Change on day	Volume		Millions	
				Aug 28	Aug 27	Aug 27	Aug 26
Merck	2,660,100	44 1/2	+ 1/2	NYSE	152,230	175,549	17
Gen Motors	2,444,700	33 1/2	- 1/2	Amer	118,666	124,610	16
IBM	2,297,800	37 1/2	+ 1 1/2	NASDAQ	137,111	125,468	14
Bear Stearns	1,944,200	25	+ 1 1/2	NYSE			
Glaxo	1,884,200	28 1/2	+ 1/2	NYSE			
Amgen Inc	1,637,600	74	+ 1/2	NYSE	2,307	2,317	
Global Macro	1,547,000	26	+ 1/2	Russ	735	1,004	
PGI Corp	1,546,000	26	+ 1/2	Russ	735	876	
HPQ, Hewlett	1,545,000	32 1/2	+ 1/2	Unchanged	601	572	
Rockwell	1,539,900	44 1/2	+ 1/2	NYSE	94	96	
				NYSE	25	21	

NETHERLANDS							
AS to Res End 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
NEW ZEALAND							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
NORWAY							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
PHILIPPINES							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
RUSSIA							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
SPAIN							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
SWEDEN							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
SWITZERLAND							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
UNITED STATES							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
WEST GERMANY							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0
YUGOSLAVIA							
AS to Res 1980	282.6	282.3	283.8	279.8	314.0	299.0	224.0

TORONTO	Aug	Aug	Aug	Aug	Aug	1992
	26	27	28	26	HIGH	LOW
Russell & McDonald	2793.06	2794.71	2761.96	2762.24	3248.00 (UAW)	2636.36 (BIO)
S&P 500	3362.60	3362.68	3353.80	3375.62	3646.00 (W)	3104.00 (M)
Montreal-Pariselle	1325.00	1375.41	1373.34	1369.70	1477.39 (SAP)	1272.00 (C)

Bourse values of all indices are 100% unless ALL Companies = 50%, Standard and Poor = 10%. Toronto values of Montreal-1000, Toronto includes since 1975 and Montreal-Pariselle 500. 1 lowest prices of Industrial, oil Utilities, Financial and Transportation, Not Closed, Not Available. A The S&P index, index theoretical day's highs and lows are the averages of the High and closing prices reached during the day by each company, whereas the actual day's highs and lows (averages or fractions) represent the actual range of price movement that the index has reached during day (The figures in brackets are previous day's).

STUTTGART (LAND)							
Schw. Raut mit 131/120H	819 S	817 S	816 A	881 S	883.00 01/15	748.50 08/11	
SBC General (CAG)H	811 S	809 S	807 S	876 A	880.00 01/15	746.00 08/08	
TARNAFAR							
Weighted Price (CAG)H	876A.25	882.48	880.97	879 S	859.63 (CAG)1	773.95 08/2016	
TARNAFAR							
Sample SCT (CAG)H	764.51	753.26	749.04	732.85	802.38 07/94	667.81 08/10	
WORLD							
US Top 100 (CAG)H	706.57	598.55	599.55	493.7	842.10 07/17	67.59 08/10	
US Top 100 (CAG)H	811.36	810.83	810.13	795.63	876.55 05/15	793.32 05/08	

*October Average 23. Volume Weighted Prices: 1st, Korea Comm Bx: 582.21

is subject to official recalculation.

*Calculated in 15.00 CMT.

Base values of all indices are 100 except: Australia Trade, 84.20; HKD Gen, 1018 Gen, Euro Top-100, US28, General and CAC - 1,000, US2 Gen - 255.7, US2 50 Industries - 264.20, and American All Delivery and Wholes - 500, 07 Closed, for Unavailable.

Monday, August 31, 1992							
	Stocks	Closing	Change		Bonds	Closing	Change
	Traded	Prices	on day		Traded	Prices	on day
Green Cross	21.5m	1,160	+ 190	Tony Ind.	9.1m	876	-6
Marty Ind. Prod.	33.7m	1,080	+ 308	Lantheus Sangco ..	7.5m	338	+20
Jen Ind. & Chem.	11.2m	910	+ 100	Aeki Corp.	7.5m	362	+26
Chemical Inds.	10.5m	1,430	+ 285	Nippon Steel	6.5m	300	+11
Kawasaki Kisen	10.0m	419	+ 19	Nippon Zenn ..	6.5m	790	+47

	Phone	Fax		Phone	Fax
Amsterdam	+31 20 6239430	6235591	Madrid	+34 1 5770909	5776813
Brussels	+32 2 5132816	5110472	New York	+1 212 7524500	3082397
Copenhagen	+45 33 134441	935335	Paris	+33 1 42970623	42970629
Frankfurt	+49 69 156850	5964483	Tokyo	+81 3 32951711	32951712
Geneva	+41 22 7311604	7319481	Stockholm	+46 8 6660085	6660064
Helsinki	+358 0 7304000	730705	Vienna	+43 1 5053184	5053176
Lisbon	+35 11 808284	804579	Warsaw	+48 22 489787	489787

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AMERICA

US equities becalmed in light trading

Wall Street

A LACK of direction from overseas markets left US share prices little changed in light trading in spite of some more bad economic news, writes Patrick Hennessey in New York.

By 1 pm the Dow Jones Industrial Average was up 2.43 at 3,270.04, having spent all morning hovering just a few points either side of Friday's close. The more broadly based Standard & Poor's 500 was also virtually unchanged, down just 0.02 at 414.82, while the Amex composite added 0.05 at 381.23 and the Nasdaq composite fell 0.22 to 562.64. Turnover on the NYSE was light at 80m shares by 1 pm.

With the foreign exchange

markets subdued by the holiday in the UK, quiet overseas equity markets and little movement in US bond prices, trading was light in New York. Investors were also reluctant to enter the market ahead of Friday's employment report for August.

The day's economic news was not positive, but it had little impact. New single-family home sales fell 2.6 per cent in July, and the rise in June was revised down to 5.3 per cent from a previously estimated 7.9 per cent gain. The Chicago Purchasing Management Association's index for August fell from 59.3 per cent in July to 58.4 per cent in August, indicative of a slowdown in manufacturing activity in the Midwest. Compag climbed \$1 to \$314

THE Bovespa index was down 6.3 per cent at 32,801 by midday yesterday, writes Bill Finchberger in São Paulo, following President Fernando Collor's promise on Sunday night to resist pressure to resign. Last week a congressional committee charged the president with malfeasance in a corruption scandal.

The drop followed steady gains last week, both in the index and in trading volumes. Moving inversely to Mr Collor's standing, weakened by the loss of political support and mass demonstrations, the index rose by 27.4 per cent. Turnover grew steadily from a level of \$18.5m on Monday, when the parliamentary inquiry presented its findings, to last Friday's \$107.5m.

In active trading after the big computer company announced that it had entered into a pact under which it received licensing rights to the PostScript software produced by Adobe Systems. Adobe, quoted on the Nasdaq market, fell \$4 to \$324.

Merck fell \$2 to \$484 after Mr James Keeney, an analyst

at the brokerage house Mabon Securities, lowered his rating for the drug company from "buy" to "hold", saying that initial prescriptions for Merck's Proscar drug are below expectations. Other drug stocks fell, including Johnson & Johnson, by \$5 to \$99%, and Pfizer by \$2 to \$714. Whirlpool firmed \$4 to \$354

and Maytag eased \$4 to \$13% after Kidder Peabody, the securities house, initiated coverage of the two appliance manufacturers with "buy" and "hold" ratings respectively. Kidder recommended that investors switch out of Maytag and into Whirlpool.

Canada

TORONTO stocks were mixed in moderate midday trading. The TSE 300 index slipped 3.8 to 3,389.3 in volume of 11.2m shares valued at C\$108.6m. Advances topped declines by 189 to 170 with 236 issues unchanged.

A rally in the gold price lifted American Barrick by C\$1 to C\$37 1/4 while Franco-Nevada firmed C\$4 to C\$29 1/4.

Tentative revival leaves Helsinki in wary mood

Robert Taylor peers through the Finnish gloom

Over the past two years, the Helsinki bourse has been a serious casualty of Finland's deepest recession, and the horrific damage sustained by the Nordic financial sector. It remains in a wary mood in spite of signs of an economic recovery.

More than half of Finland's companies are experiencing an upturn, but this revival in the "real" economy has not been reflected so far in share prices. Towards the end of last week Helsinki's forestry share index had dropped by some 20 per cent this year, and by 16.5 per cent in the previous 30 days. And while the metal sector had risen by as much as 40 per cent in the year to the end of May, it has fallen recently by a little more than its forestry counterpart.

Last week the central bank was compelled to raise its tender rate from 15.5 per cent to 17 per cent, in a move designed to stem capital outflows and calm international financial markets.

Ever since last November's 12.3 per cent devaluation of the markka, the Finnish money markets have been nervous due to an intermittent lack of confidence in the country's fragile centre-right coalition government's ability to stick firmly in future to a fixed exchange-rate policy.

However, a fortnight ago, Mr Michel Camdessus, head of the International Monetary Fund, made some positive remarks about the economy. He pointed to signs of modest but still positive economic growth, an upturn in industrial output, low inflation and a clear improvement in industrial competitiveness.

A similar note was struck last week in the authoritative annual report on Finland from the Paris-based Organisation for Economic Co-operation and Development.

The OECD forecast the likelihood of a 3.3 per cent increase in Finland's GDP in 1993, encouraging after two years of economic contraction. It also suggested a 5.5 per cent rise in industrial output

next year after modest 1 per cent growth in 1992, as well as a strong export-led recovery. Unemployment may remain at around 11 per cent but the other main economic indicators provide some encouragement for the markets.

Such outside opinion stems from the growing optimism in Helsinki in both the forestry and engineering sectors. Mr Pentti Vartiainen, head of ETLA, Finland's main independent economic forecasting institute, is encouraged by the fact that the country, in a remarkably short time, has managed to replace its lost markets in the former Soviet Union with new ones in the west. "The recovery has been much faster than we expected," he says.

The real trouble hobbling the market is the continuing uncertainty about the future of Finland's fragile financial system. Bank shares have collapsed, weighing down the overall Hex average. The state has established a FM20bn (\$5.2bn) guarantee fund to assist banks and other financial institutions in trouble with non-performing loans and credit losses. Few observers believe, however, that Finland has yet weathered the storm which has shaken the financial sector across the Nordic region in the past few years.

Last year, listed Finnish companies made financial losses totalling FM16bn between them. This year, bourse analysts estimate that the deficit will narrow to FM9.7bn, with as much as FM4.5bn of that figure due to the lamentable position of the banks. As a result, Finnish shares are cheap by some standards. The book value of limited companies is FM13.3bn but this contrasts with a market value of FM5.2bn at the end of July.

Mr Juhani Erma, head of the Helsinki bourse, is hopeful that the outlook will change next year with the removal of rules which prevent foreigners from acquiring more than 20 per cent of the voting rights, and 40 per cent of the equity, of a

Finnish company without official authorisation from the state. The traditional distinction between restricted and free shares will also end. At present only around 12 per cent of shares traded in Helsinki are free.

Last week the government proposed the lifting of foreign ownership restrictions from January 1, and parliament is expected to discuss the proposal in the autumn.

These reforms are necessary as Finland becomes part of the 19-nation European Economic Area next year and they could stimulate a good deal of foreign interest in Finnish equities. It has been estimated that as much as FM16bn of new foreign investment could be attracted by the changes.

The near-term outlook for the stock market, however, depends on the success of the government's economic strategy. And there are some anxieties for the autumn.

First, there are doubts about the political situation and whether the present government can survive much longer. Many believe that it may have to be reconstructed after the October local government elections, which could bring heavy losses to the coalition partners.

Secondly, there are worries about the next round of wage negotiations. The government and employers would like to see no rise in wages for the next three years; the unions can be expected to resist although, in the presently grim labour market, they might settle for some kind of cost-of-living protection and no real income improvements.

There is also uncertainty about the forthcoming Finnish negotiations on membership of the European Community, due to begin formally early next year. The latest opinion polls suggest that a clear majority of Finns want their country to join the EC and it is possible that the market may achieve associate membership of the European Monetary System.

EUROPE

Continent feels the absence of London

LONDON's closure for the bank holiday yesterday affected levels of trading on the Continent, writes Ursula Marks in Frankfurt.

FRANKFURT saw German stock market turnover fall from DM4.7bn to DM4.2bn as equities extended their recovery from last Tuesday's lows, the DAX index rising 34.78, or 1.7 per cent, to 1,641.25.

Dealers saw no fundamental reasons for the upturn, but Ms Barbara Schumacher at Merck Finck in Düsseldorf noted that the DAX had doubled a gain of about 12 points which it registered an hour before the official close.

Daimler continued its upturn after last week's interim results, putting on DM14 to DM628 for a gain of nearly 8 per cent since its rebound from 1992 lows began last Wednesday, yet, on analysis, some observers were wary of a 3 per cent drop in operating profits of the car business, on a 9 per cent rise in turnover.

They also said that gains in chemicals lacked discrimination, with Bayer, up DM5.70, a

good buy on its recent progress report but Hoechst, DM6.50 higher at DM245, seen as distinctly less attractive.

The big rise of the day among DAX stocks came from Lufthansa, severely depressed by the problems of the international airlines industry but DMS higher at DM102. Yesterday, talks with unions on a cost-cutting programme entered a final phase and DAG, the smaller of the two unions concerned, offered a year's wage freeze.

Among other bombed-out stocks, Metallgesellschaft rose DM10.50 to DM238.50 and Mannesmann DM5 to DM235.50.

PARIS ended slightly lower as London's absence and continued uncertainty ahead of the September referendum reduced turnover to just FF860m. The CAC-40 index closed 2.65 down at 1,684.98 after a high of 1,695.80 and a low of 1,679.01.

Eurotunnel continued to gain on growing optimism of an early resolution to the dispute with TML. The stock added FF1.80, or 3.8 per cent, at FF737.70. Among smaller stocks, household appliances maker Seb fell FF24.90, or 6.1 per cent, to FF784.10 after disappointing six-month results.

STOCKHOLM was held back by firmer domestic interest rates, as the Affärsvärden general index slipped 7.5 to 772.7, in thin turnover of SKr280m, against SKr532m.

The construction group Skanska saw its B tree shares drop as low as SKr68 on news that the company will lose SKr500m to SKr600m this year because of unauthorised currency speculation by the president of its finance subsidiary. They later recovered to close a net SKr3, or 4.2 per cent, down at SKr69. Trading in Skanska shares had been halted for 35 minutes pending the announcement.

OSLO dropped 4.2 per cent on news of deepening troubles in the country's financial sector. The all-share index was 14.11 weaker at 318.89 in thin trading worth Nkr154.8m.

Yesterday, a Norwegian court appointed a committee to work out how the investment company, Investa, could repay its debts after winning court protection from its creditors over short-term borrowings of Nkr2.8bn.

ZURICH featured some action in second liners as the SMI index firmed by 5.9 to 1,761.6. Adia brokers, second on the active list, rose Sfr15 to

Sfr218 on news of a Sfr200m loan from its majority shareholders. Mr Klaus Jacobs and the German retail chain Asko. Cerillon-Bührle, also actively traded, rose Sfr7 to Sfr448 ahead of today's conference, at which the engineering and armaments group is expected to confirm that it is making a profit after several years of losses.

MILAN had a colourless day as traders felt the absence of London. "Nobody wants to do anything, the market is without direction," said one broker in Milan. The Comit index shed 2.67 to 390.33, a new low for the year, in turnover estimated at around Friday's L45.7bn.

Weakness in market leaders set the tone for the day's trading, with Fiat losing L51 to L4,019 and Generali falling L130 to L28,130. Montedison showed little reaction to news that chairman Mr Giuseppe Gerolamo was to be interviewed in connection with a wide-ranging investigation into the financing of political parties by companies.

AMSTERDAM ended mixed after a thin session. The CBS Tendency index eased 0.2 to 109.9. In the financial sector, ABN-Amro and Aegion, and ex-dividend, fell a net 80 cents

and 80 cents respectively, to F142.80 and F159.90.

MADRID fell in flimsy trade, the general index closing 0.64 off at 204.97 on a day distinguished only by block trades in the chemicals company Cepsa.

VIENNA started the week in a buoyant mood, advancing 2.5 per cent on the back of gains on foreign stock markets. The 18-share ATX index rose 18.23 to 735.55 while the broader bourse index put on 4.04 to 348.41.

ISTANBUL gained as hopes for lower bond and deposit rates were refreshed by a newspaper report that sharp rate cuts were awaited at the Treasury's auction this week. The 75-share index climbed 40.63 to 4,167.83.

THE FT-SE Eurotrack 100 index was unavailable yesterday because of the holiday in the UK.

SOUTH AFRICA

De Beers and Anglo featured in a quiet market, underpinned by strong futures, a better bullion price and a weak financial rand. The overall index rose 15 to 3,185, and industrials gained 6 to 4,060.

ASIA PACIFIC

Nikkei ends above 18,000 in volatile trade

Tokyo

SHARES made modest gains in a volatile session and the Nikkei average rose 90.33 to 18,001.12, closing above 18,000 for the first time since June 3, agencies report from Tokyo.

The market opened lower on profit-taking, with the Nikkei bottoming at 17,711.15 after 30 minutes of trading. But strong buying of incentive-backed issues helped to lift share prices. The Nikkei swung between positive and negative territory for the rest of the session, closing near its day's high of 18,119.63.

Volume shrunk to 550m shares from Friday's 850m. Advancing issues outpaced those declining by 676 to 344, with 103 stocks unchanged. The first section of all-shares Topix index was up 5.54 at 1,835.51.

Traders said strong selling by foreigners was countered by buying by domestic individuals and dealers, while institutional investors remained on the sidelines. However, they added

that sentiment remained positive following the government's stimulative package, announced last Friday.

Construction and financial issues were bought on expectations that they will benefit from the government's ¥10,700bn worth of measures aimed at boosting public works projects and helping the beleaguered financial sector. Aoki Corp gained ¥26 to ¥250 and Chiyoda Corp ¥110 to ¥1,880.

Real estate companies declined in spite of statements by Mr Kiyoshi Miyazawa, the prime minister, that government funds would help purchase real estate used as collateral for non-performing bank loans. Mitsubishi Estate finished ¥20 down at ¥1,010 and Mitani Real Estate ¥30 cheaper at ¥1,080.

Nissan Motor weakened ¥37 to ¥582 after Friday's news that the car company expected to incur its first loss since 1946 and that it was omitting its interim dividend.

Aide-related issues saw strong buying interest. Most heavily traded was Green

Gross, which rose ¥160 to ¥1,740. Matsui Milk climbed ¥106 to ¥1,060 and Okamoto Industries ¥200 to ¥1,430.

Roundup

PACIFIC RIM markets were mostly firmer yesterday with the exception of Australia and Manila. Hong Kong and Kuala Lumpur were closed.

SEOUL rose confidently in active trading and the composite index ended 33.59 up at 662.80. The index has risen 18.3 per cent since the government's support package on August 24. Turnover increased to Won428.18bn from Saturday's Won292.22bn.

TAIWAN closed higher across the board as a strong rebound continued. The weighted index added 99.90, or 2.4 per cent, at 3,946.35 in brisk turnover of T\$29.5bn.

China Steel appreciated 10 cents to T\$17.80 in active trading. Foreigners were allowed to redeem the company's GDRs from August 29 but brokers said foreign selling was light.

AUSTRALIA was dragged

lower by a larger than expected July current account deficit. The All Ordinaries index receded 8.7 to 1,547.2 in turnover of A\$180m - mainly in Aberfoyle and News Corp - came from overseas.

Aberfoyle retreated 25 cents to A\$4.65 after Cominco, the Canadian miner, sold off its 48 per cent stake at A\$4.57 a share. News Corp advanced 90 cents to a new post-crash peak of A\$24.80 after Moody's Investors Service placed it on positive creditwatch.

MANILA declined further following Friday's drop, the composite index closing 10.11 lower at 1,376.58. Combined turnover fell to 144m pesos from Friday's 275m.

NEW ZEALAND's NZSE-40 weighted index added 1.96 to 4,511.92 in low volume. Carter Holt Harvey finished 3 cents ahead at NZ\$2.63.

SINGAPORE ended higher on selective buying and the 30-share Straits Times Industrial index rose 19.24 to 1,378.54. There were 26.38m shares traded, against Friday's 29.40m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

FRIDAY AUGUST 26 1992										THURSDAY AUGUST 27 1992										DOLLAR INDEX									
Figures in parentheses show number of times of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% chg on day	Gross Div. Yield
Australia (58)	131.40	+0.9	98.28	102.37	98.12	121.61	+0.6	4.37	130.28	97.85	102.82	98.54	120.88	133.63	126.79	148.66													
Austria (19)	130.90	+0.5	112.95	117.57	110.26	110.23	-0.2	2.65	130.15	112.55	113.50	110.11	110.46	108.70	139.27	175.77													
Belgium (42)	143.59	+0.3	107.94	112.10	105.26	102.91	+0.0	5.98	143.42	107.50	113.16	107.17	102.92	132.27	136.87	127.30													
Canada (114)	125.97	+0.1	94.29	98.14	92.14	105.14	+0.2	3.19	125.90	94.37	99.35	92.32	108.90	142.12	124.35	140.07													
Denmark (35)	225.18	+0.4	158.44	175.43	164.72	165.33	-0.7	1.71	226.15	169.51	178.48	165.84	167.71	273.94	222.22	251.67													
Finland (16)	61.04	+1.8	45.85	47.56	44.95	49.99	+1.3	2.84	59.93	44.92	47.30	43.96	46.07	89.80	59.93	96.64													
France (102)	157.38	+0.6	115.11	123.00	115.49	118.78	+0.5	3.78	156.70	117.45	123.68	114.90	118.16	168.75	148.06	130.31													
Germany (94)	116.76	-0.2	87.34	90.97	85.40	85.40	-0.5	2.08	117.03	87.72	92.37	85.81	85.81	129.69	114.42	108.42													
Hong Kong (53)	231.12	+3.1	172.59	180.08	169.07	229.33	+3.0	3.65	224.26	169.08	179.95	164.46	222.57	299.55	176.36	165.36													
Ireland (16)	133.05	+0.1	118.98	123.92	118.35	119.59	+0.9	4.42	137.34	117.93	124.17	115.35	118.53	173.71	151.78	153.98													
Italy (70)	88.81	+0.1	67.73	69.71	66.88	61.33	+0.3	4.04	85.97	67.68	69.17	66.82	61.18	80.86	61.30	71.79													
Japan (473)	112.20	+4.2	85.93	87.42	82.06	87.42	+2.9	0.97	107.65	80.70	84.96	78.98	84.98	140.96	87.27	125.14													
Malaysia (19)	234.19	+0.4	175.18	182.44	171.30	224.65	+0.4	2.61	233.24	174.82	184.06	171.03	223.85	250.47	212.49	200.77													
Mexico (10)	1316.41	+1.1	994.71	1025.59	982.86	1433.57	+1.3	1.36	1301.68	975.78	1027.40	964.88	1278.25	1788.77	1259.84	1214.61													
Netherlands (26)	166.51	+0.4	124.55	129.12	121.20	129.40	+0.6	4.64	167.19	131.54	122.65	121.33	167.26	147.88	151.47														
New Zealand (14)	42.60	-0.4	31.67	33.16	31.76	41.83	-0.2	5.43	42.77	32.06	33.75	31.36	41.93	48.32	41.90	46.36													
Norway (23)	156.87	+0.5	117.34	122.22	115.76	118.60	+1.6	2.13	156.05	116.97	123.16	114.44	118.08	192.95	136.40	202.14													
Singapore (35)	190.58	+0.1	142.55	148.48	139.40	140.38	+0.0	2.38	190.09	142.71	150.25	138.82	140.																



AEGON N.V. registered offices at The Hague, The Netherlands

NOTICE OF INTERIM DIVIDEND

The Executive Board announces that, with the approval of the Supervisory Board, an interim dividend of NLG 1.10 per NLG 2.50 ordinary shares will be paid for the financial year 1992.

For holders of ordinary shares to bearer, coupon number 1 of their securities will be payable at the payment offices of the banks mentioned below with effect from 11th September 1992.

For each NLG 2.50 ordinary share(s) to bearer the interim dividend of NLG 1.10 will be payable on the above mentioned coupon, less 25% dividend tax.

ABN AMRO Bank N.V.,
Bank van Haren Labouchere N.V.,
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.,
NMB Postbank Groep N.V.,
Pierion, Helderling & Pierion N.V.,
Bank Mees & Hope N.V.,
Kredietbank N.V., Brussels,
Kredietbank S.A. Luxembourg, Luxembourg,
Schweizerischer Bankverein, Schweizerische Kreditanstalt,
Schweizerische Bankgesellschaft, Zürich, Basel and Geneva,
Deutsche Bank A.G., Düsseldorf and
J. Henry Schroder Wagg & Co. Ltd., London.

Copies of the financial data on the first six months of 1992, published on 28th August 1992, are available at the offices of the banks mentioned above and the company.

The Executive Board

The Hague, 28th August 1992
50 Mariahoeveplein

Prices for electricity determined by the period of the electricity trading and settlement intervals in England and Wales			
Period	Unit	Price	Unit
17:00-18:00	£/kWh	20.86	20.86
18:00-19:00	£/kWh	17.76	17.76
19:00-20:00	£/kWh	17.76	17.76
20:00-21:00	£/kWh	17.76	17.76
21:00-22:00	£/kWh	17.76	17.76
22:00-23:00	£/kWh	17.76	17.76
23:00-24:00	£/kWh	17.76	17.76
00:00-01:00	£/kWh	17.76	17.76
01:00-02:00	£/kWh	17.76	17.76
02:00-03:00	£/kWh	17.76	17.76
03:00-04:00	£/kWh	17.76	17.76
04:00-05:00	£/kWh	17.76	17.76
05:00-06:00	£/kWh	17.76	17.76
06:00-07:00	£/kWh	17.76	17.76
07:00-08:00	£/kWh	17.76	17.76
08:00-09:00	£/kWh	17.76	17.76
09:00-10:00	£/kWh	17.76	17.76
10:00-11:00	£/kWh	17.76	17.76
11:00-12:00	£/kWh	17.76	17.76
12:00-13:00	£/kWh	17.76	17.76
13:00-14:00	£/kWh	17.76	17.76
14:00-15:00	£/kWh	17.76	17.76
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21:00-22:00	£/kWh	17.76	17.76
22:00-23:00	£/kWh	17.76	17.76
23:00-24:00	£/kWh	17.76	17.76
00:00-01:00	£/kWh	17.76	17.76
01:00-02:00	£/kWh	17.76	17.76
02:00-03:00	£/kWh	17.76	17.76
03:00-04:00	£/kWh	17.76	17.76
04:00-05:00	£/kWh	17.76	17.76
05:00-06:00	£/kWh	17.76	17.76
06:00-07:00	£/kWh	17.76	17.76
07:00-08:00	£/kWh	17.76	17.76
08:00-09:00	£/kWh	17.76	17.76
09:00-10:00	£/kWh	17.76	17.76
10:00-11:00	£/kWh	17.76	17.76
11:00-12:00	£/kWh	17.76	17.76
12:00-13:00	£/kWh	17.76	17.76
13:00-14:00	£/kWh	17.76	17.76
14:00-15:00	£/kWh	17.76	17.76
15:00-16:00	£/kWh	17.76	17.76
16:00-17:00	£/kWh	17.76	17.76

FT GUIDE TO WORLD CURRENCIES

The Table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 28 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases, market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (x 100)
Albania	100.00	50.0756	33.6053	88.8488	China	100.00	420.0000	298.5370	340.8119
Algeria	100.00	20.2008	16.3721	16.3721	Czech Rep.	100.00	136.0000	100.0000	136.0000
Angola	100.00	4.7943	3.4089	8.8904	Denmark	100.00	136.0000	100.0000	136.0000
Argentina	100.00	1.9198	1.4134	3.5813	Egypt	100.00	1.0000	1.0000	1.0000
Australia	100.00	1.5478	1.1637	2.8351	France	100.00	136.0000	100.0000	136.0000
Austria	100.00	1.3563	1.0208	2.5000	Germany	100.00	136.0000	100.0000	136.0000
Bahrain	100.00	1.3563	1.0208	2.5000	Ghana	100.00	1.0000	1.0000	1.0000
Bangladesh	100.00	1.3563	1.0208	2.5000	Greece	100.00	136.0000	100.0000	136.0000
Barbados	100.00	1.3563	1.0208	2.5000	Guatemala	100.00	1.0000	1.0000	1.0000
Belgium	100.00	1.3563	1.0208	2.5000	Hong Kong	100.00	1.0000	1.0000	1.0000
Belize	100.00	1.3563	1.0208	2.5000	India	100.00	1.0000	1.0000	1.0000
Bermuda	100.00	1.3563	1.0208	2.5000	Indonesia	100.00	1.0000	1.0000	1.0000
Bhutan	100.00	1.3563	1.0208	2.5000	Iran	100.00	1.0000	1.0000	1.0000
Bolivia	100.00	1.3563	1.0208	2.5000	Israel	100.00	1.0000	1.0000	1.0000
Bosnia	100.00	1.3563	1.0208	2.5000	Italy	100.00	1.0000	1.0000	1.0000
Botswana	100.00	1.3563	1.0208	2.5000	Japan	100.00	1.0000	1.0000	1.0000
Brazil	100.00	1.3563	1.0208	2.5000	Korea	100.00	1.0000	1.0000	1.0000
Bulgaria	100.00	1.3563	1.0208	2.5000	Malaysia	100.00	1.0000	1.0000	1.0000
Burkina Faso	100.00	1.3563	1.0208	2.5000	Mexico	100.00	1.0000	1.0000	1.0000
Burundi	100.00	1.3563	1.0208	2.5000	Morocco	100.00	1.0000	1.0000	1.0000
Cambodia	100.00	1.3563	1.0208	2.5000	Netherlands	100.00	1.0000	1.0000	1.0000
Cameroon	100.00	1.3563	1.0208	2.5000	New Zealand	100.00	1.0000	1.0000	1.0000
Canada	100.00	1.3563	1.0208	2.5000	Nigeria	100.00	1.0000	1.0000	1.0000
Cape Verde	100.00	1.3563	1.0208	2.5000	Philippines	100.00	1.0000	1.0000	1.0000
Cayman Is.	100.00	1.3563	1.0208	2.5000	Poland	100.00	1.0000	1.0000	1.0000
Chad	100.00	1.3563	1.0208	2.5000	Portugal	100.00	1.0000	1.0000	1.0000
Chile	100.00	1.3563	1.0208	2.5000	Romania	100.00	1.0000	1.0000	1.0000
China	100.00	1.3563	1.0208	2.5000	Russia	100.00	1.0000	1.0000	1.0000
Colombia	100.00	1.3563	1.0208	2.5000	Saudi Arabia	100.00	1.0000	1.0000	1.0000
Congo	100.00	1.3563	1.0208	2.5000	Senegal	100.00	1.0000	1.0000	1.0000
Cote d'Ivoire	100.00	1.3563	1.0208	2.5000	Sierra Leone	100.00	1.0000	1.0000	1.0000
Cuba	100.00	1.3563	1.0208	2.5000	South Africa	100.00	1.0000	1.0000	1.0000
Cyprus	100.00	1.3563	1.0208	2.5000	Spain	100.00	1.0000	1.0000	1.0000
Czech Rep.	100.00	1.3563	1.0208	2.5000	Sri Lanka	100.00	1.0000	1.0000	1.0000
Dominica	100.00	1.3563	1.0208	2.5000	Sudan	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Switzerland	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Taiwan	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Tanzania	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Thailand	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Togo	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Tonga	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Trinidad	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Turkey	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Uganda	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Ukraine	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	United Kingdom	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	USA	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Uruguay	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Venezuela	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Zambia	100.00	1.0000	1.0000	1.0000
Dominican Rep.	100.00	1.3563	1.0208	2.5000	Zimbabwe	100.00	1.0000	1.0000	1.0000

Special Drawing Rights August 27, 1992: United Kingdom £0.74899, United States \$1.47299, Germany D Mark 2.04858, Japan Yen 148.846.
European Currency Unit August 28, 1992: United Kingdom £0.75744, United States \$1.45407, Germany D Mark 2.02778, Japan Yen 148.846.
Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Export rate; (f) Financial rate; (g) Non-commercial rate; (h) Business rate; (i) Buying rate; (j) Lending rate; (k) Public transaction rate; (l) Public transaction rate; (m) Public transaction rate; (n) Public transaction rate; (o) Public transaction rate; (p) Public transaction rate; (q) Public transaction rate; (r) Public transaction rate; (s) Public transaction rate; (t) Public transaction rate; (u) Public transaction rate; (v) Public transaction rate; (w) Public transaction rate; (x) Public transaction rate; (y) Public transaction rate; (z) Public transaction rate; (aa) Public transaction rate; (ab) Public transaction rate; (ac) Public transaction rate; (ad) Public transaction rate; (ae) Public transaction rate; (af) Public transaction rate; (ag) Public transaction rate; (ah) Public transaction rate; (ai) Public transaction rate; (aj) Public transaction rate; (ak) Public transaction rate; 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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS
Strains in the ERM

THE DOLLAR'S weakness will continue to preoccupy dealers this week, but the strains in the Exchange Rate Mechanism are now of the first importance in Europe, writes James Burt.

At the end of last week, the instability in the ERM was acute. The D-Mark, which should ideally be at the centre of the European Monetary System's grid, was at the top, pushing several currencies towards the bottom of their

economic fundamentals to fully work. The second possibility is that the weaker currencies raise interest rates. "This is the least desirable option and is likely to be the most counter-productive," says Mr Lyons. In Britain's case a rise in interest rates will give a better return to sterling investors, but would worsen perceptions of Britain's economic plight.

The Germans could reduce interest rates or revalue the D-Mark. Although the German economy is slowing, there is little sign that the Bundesbank will cut rates before the year's end. A realignment still seems the best way out of the problem. The traditional obstacle here has been French intransigence because a weaker franc would upset their good record on inflation. But after last week's debacle, the franc is less 3 centimes off its floor against the D-Mark. Faced with the prospect of raising rates, the French may give way on realignment, after all.

bands. The Italian lira breached its ERM floor against the D-Mark several times. There are now three possible outcomes to the crisis. Central banks could continue to intervene to support sterling and the Italian lira. "Such intervention will buy time," says Mr Gerard Lyons, chief economist at DKB International in London, "but it will require a change in

UK clearing bank base lending rate 10 per cent from May 5, 1992

STERLING INDEX

Index	Aug 28	Aug 29	Aug 30
100	100.00	100.00	100.00
101	101.00	101.00	101.00
102	102.00	102.00	102.00
103	103.00	103.00	103.00
104	104.00	104.00	104.00
105	105.00	105.00	105.00
106	106.00	106.00	106.00
107	107.00	107.00	107.00
108	108.00	108.00	108.00
109	109.00	109.00	109.00
110	110.00	110.00	110.00
111	111.00	111.00	111.00
112	112.00	112.00	112.00
113	113.00	113.00	113.00
114	114.00	114.00	114.00
115	115.00	115.00	115.00
116	116.00	116.00	116.00
117	117.00	117.00	117.00
118	118.00	118.00	118.00
119	119.00	119.00	119.00
120	120.00	120.00	120.00

CURRENCY MOVEMENTS

Currency	Aug 28	Aug 29	Aug 30
US Dollar	1.7800	1.7800	1.7800
Japanese Yen	160.00	160.00	160.00
Swiss Franc	1.4500	1.4500	1.4500
West German Mark	1.3600	1.3600	1.3600
French Franc	6.5500	6.5500	6.5500
Italian Lira	1,936.00	1,936.00	1,936.00
Spanish Peseta	166.64	166.64	166.64
Portuguese Escudo	200.48	200.48	200.48
Belgian Franc	36.36	36.36	36.36
Dutch Guilder	2.36	2.36	2.36
Austrian Schilling	13.76	13.76	13.76
Irish Punt	0.7875	0.7875	0.7875
Scottish Pound	0.70	0.70	0.70
Welsh Pound	0.70	0.70	0.70
Manx Pound	0.70	0.70	0.70
Guernsey Pound	0.70	0.70	0.70
Jersey Pound	0.70	0.70	0.70
Channel Islands Pound	0.70	0.70	0.70
Isle of Man Pound	0.70	0.70	0.70
British Virgin Islands Pound	0.70	0.70	0.70
Cayman Islands Dollar	0.70	0.70	0.70
Anguilla Dollar	0.70	0.70	0.70
Belize Dollar	0.70	0.70	0.70
Bermudian Dollar	0.70	0.70	0.70
Barbados Dollar	0.70	0.70	0.70
Trinidad and Tobago Dollar	0.70	0.70	0.70
Jamaican Dollar	0.70	0.70	0.70
Panama Balboa	0.70	0.70	0.70
Costa Rican Colon	0.70	0.70	0.70
Nicaraguan Cordoba	0.70	0.70	0.70
Honduran Lempira	0.70	0.70	0.70
Salvadoran Colon	0.70	0.70	0.70
Guatemalan Quetzal	0.70	0.70	0.70
Haitian Gourde	0.70	0.70	0.70
Cuban Peso	0.70	0.70	0.70
Venezuelan Bolivar	0.70	0.70	0.70
Colombian Peso	0.70	0.70	0.70
Ecuadorian Dollar	0.70	0.70	0.70
Peruvian Sol	0.70	0.70	0.70
Chilean Peso	0.70	0.70	0.70
Argentine Peso	0.70	0.70	0.70
Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
Bolivian Boliviano	0.70	0.70	0.70
Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
Bolivian Boliviano	0.70	0.70	0.70

CURRENCY MOVEMENTS

Currency	Aug 28	Aug 29	Aug 30
US Dollar	1.7800	1.7800	1.7800
Japanese Yen	160.00	160.00	160.00
Swiss Franc	1.4500	1.4500	1.4500
West German Mark	1.3600	1.3600	1.3600
French Franc	6.5500	6.5500	6.5500
Italian Lira	1,936.00	1,936.00	1,936.00
Spanish Peseta	166.64	166.64	166.64
Portuguese Escudo	200.48	200.48	200.48
Belgian Franc	36.36	36.36	36.36
Dutch Guilder	2.36	2.36	2.36
Austrian Schilling	13.76	13.76	13.76
Irish Punt	0.7875	0.7875	0.7875
Scottish Pound	0.70	0.70	0.70
Welsh Pound	0.70	0.70	0.70
Manx Pound	0.70	0.70	0.70
Guernsey Pound	0.70	0.70	0.70
Jersey Pound	0.70	0.70	0.70
Channel Islands Pound	0.70	0.70	0.70
Isle of Man Pound	0.70	0.70	0.70
British Virgin Islands Pound	0.70	0.70	0.70
Cayman Islands Dollar	0.70	0.70	0.70
Anguilla Dollar	0.70	0.70	0.70
Belize Dollar	0.70	0.70	0.70
Bermudian Dollar	0.70	0.70	0.70
Barbados Dollar	0.70	0.70	0.70
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Venezuelan Bolivar	0.70	0.70	0.70
Colombian Peso	0.70	0.70	0.70
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Argentine Peso	0.70	0.70	0.70
Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
Bolivian Boliviano	0.70	0.70	0.70
Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
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Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
Bolivian Boliviano	0.70	0.70	0.70
Uruguayan Peso	0.70	0.70	0.70
Paraguayan Guaraní	0.70	0.70	0.70
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